



Daily Report

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CONTENTS

31 August 1988

INTERNATIONAL AFFAIRS

General

Analysis of Possible 'Interest Rate War'	1
CSCE Final Document Awaits Unanimous Approval	2
Song Jian Meets UN Environmentalists	2
New Hungarian, Cuban Envoys Present Credentials	2

United States & Canada

Armacost To Meet Soviet on Regional Issues	2
U.S. Welcomes SRV Decision on MIA Issue	2
Dukakis Momentum Stopped by Republican Rumors	3
Jilin Delegation Returns From U.S. Visit	3
Accord Signed With Canadian Insurance Company	4

Soviet Union

Commentary on PRC-Soviet Talks on Cambodia	4
Soviet Role Analyzed	4
Editorial on China's 'New Stand' [Hong Kong TA KUNG PAO 31 Aug]	4
Estonian Reforms, Interest in China Reported [SHIJIE JINGJI DAOBAO 15 Aug]	5
Xinjiang Signs Trade Agreements With USSR	6
USSR Destroys More Medium-Range Missiles	6

Northeast Asia

Zhao Urges Japan To Lead Investment in PRC	7
Chinese Stocks Offered [KYODO]	7
Zhao Ziyang Talks With KYODO President [BEIJING REVIEW 29 Aug-4 Sep]	8
Further Reportage on Visit by Japan's Takeshita	9
Takeshita Returns to Tokyo	9
Further on Zhao Meeting [RENMIN RIBAO 27 Aug]	9
Further on Deng Meeting [RENMIN RIBAO 27 Aug]	10
More on Yang Shangkun Meeting [RENMIN RIBAO 27 Aug]	10
More on Xian Speech [RENMIN RIBAO 30 Aug]	10
Commentary on 'New Leap' [RENMIN RIBAO 31 Aug]	12
Japanese Consumer Market Discussed [RENMIN RIBAO 27 Aug]	14

Southeast Asia & Pacific

'Peaceful Demonstrations' Continue in Rangoon	14
Ministry Staff Urges Change	15
Worker, Teacher Groups Formed	15
Ex-Leaders Form Peace Panel	15
PRC Said Supporting Protestors [AFP]	15
SRV's Nguyen Co Thach Cited on Troop Pullout [RENMIN RIBAO 27 Aug]	15
Pacific Island Nations Delegates Visit Beijing	16
Meet Wang Zhen	16
Received by Li Peng	16

Near East & South Asia

'Superpower Intervention' in Gulf War Viewed [JIEFANGJUN BAO 20 Aug]	16
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NATIONAL AFFAIRS

Hu Yaobang Said Not To Attend Beidaihe Meeting [Hong Kong CHENG MING 1 Sep]	18
Zhao Ziyang's 'Setbacks' at Beidaihe Viewed [Hong Kong CHENG MING 1 Sep]	18
Seventh NPC Standing Committee Meeting Continues	21
Security Minister Gives Report	21
Urged To Ratify Nuclear Protocols	24
Discusses UN Convention on Torture	25
Land Management Law Explained	25
State Council Discusses Prices, Marketing	26
Li Peng Stresses Market Stability	27
Names of 'New' Principal Regional Leaders	28
Editorial on Revamping Ideological Work [RENMIN RIBAO 30 Aug]	29
'Ten Theoretical Questions Facing Reform' [BEIJING REVIEW 22-28 Aug]	31
Commentator on Rational Understanding of Reform [SHIJIE JINGJI DAOBAO 15 Aug]	35
Price Reform, Joint Stock System Viewed [GUANGMING RIBAO 20 Aug]	37
GUANGMING RIBAO on Urban Enterprises [20 AUG]	38
Foreign Trade No Longer Limited to Few Firms	39
Widespread Tax Evasion Affects Economic Reform	40
End of Year Steel Shortage Reported	41
Rural Electrification Construction Progresses	41
Chinese Women Struggle for Equality	41

Regional Affairs

East Region

Mao Zhiyong Gives Speech on Party Building [JIANGXI RIBAO 13 Aug]	43
Shandong CPPCC Standing Committee Meets	49
Shanghai Acts To Check Wave of Panic Buying	50
Shanghai Shipping Fleet Increases Profits	50

Central-South Region

'Heavy Rains' Force Evacuation in Guangxi	50
Waters Rising in Liuzhou City	51
Hainan Representative Conference Meeting Ends	51
Haikou Begins Building Four Development Zones	51
Provisions for Hainan Investment [BEIJING REVIEW 29 Aug-4 Sep]	52

HONG KONG & MACAO

Hong Kong

Reportage on Crash of PRC Airliner at Kai Tak	56
Hong Kong Radio Report	56
Fatalities All Crew Members [XINHUA]	56
Guangzhou Radio Report [Guangdong]	56
Rescue Team at Work [XINHUA]	56
Americans Said Among Passengers [AFP]	57
Beijing News Agency Account [ZHONGGUO XINWEN SHE]	57
Beijing Radio Report [Beijing]	57
Kai Tak Airport Reopened	57
Delegate to Sino-British Land Committee Named [XINHUA]	58
Chief for Hong Kong Land Fund Trust Appointed [XINHUA]	58
Reshuffle Promotes Younger Civil Servants [SOUTH CHINA MORNING POST 31 Aug]	58

General

Analysis of Possible 'Interest Rate War'
OW2708004588 Beijing XINHUA in English
1418 GMT 26 Aug 88

[News Analysis: Does World Drift Into Interest Rate War? (By Li Zongyang)—XINHUA Headline]

[Text] London, August 26 (XINHUA)—Central banks in six European countries announced at the same time to raise their official interest rates on Thursday, a move seen as the first strong reaction on the higher rate in America.

Analysts here said that as the moves were actuated by selfish motives rather than co-ordinating ones, the end of a round of climbing up of interest rates in Western economies will slow down world economic growth.

Market reports said the Bank of England, British Central Bank, raised its money market lending rate Thursday to trigger all the four clearing banks' base rate higher to 12 percent from 11 percent.

Shortly after the move, Federal Germany's Bundesbank put up its discount rate by 0.5 percentage point to 3.5 percent.

In an unusual move, the Bank of France raised its two key short-term official interest rates, the money market intervention and repurchase rates, by a quarter of a percentage point to seven and 7.75 Percent.

In Zurich, Vienna and Amsterdam, the authorities also put up their official interest rates by 0.5, 0.5 And 0.25 Percentage point respectively.

Financial analysts further noticed that the fresh moves in interest rates in Europe seemed to come mainly from a big worry that a strong dollar in the summer would put up their own import bills, thus import inflation from abroad.

The moves "reflect the tension of world economy and the newly emerging difficulty of coordination on currency stabilization between major economies," said an economist.

After the announcement of the rate hike, Karl Otto Poehl, president of the Federal German Bundesbank, said "We are in no position to accept an increase in interest rate differentials."

"The interest rate rise in the United States did not leave us unaffected," added Poehl.

The central bank president also blamed Washington, saying that the current dollar rate was not as agreed in the Louvre Accord reached among major industrial nations in Paris in February, 1987 and that the Bundesbank would do all that it could to prevent a further [words indistinct].

In France, Finance Minister Pierre Berezgouvoy was quoted as saying that "the government's priority is a stable currency to create conditions for non-inflationary growth in France."

It was believed that France had been under pressure and was forced to go into the battlefield towards higher cost of borrowing at the expense of its promise to get credit costs down.

British move was more complicated and it looked more like a reaction to its record current account deficit, which reached record 2.15 billion pounds (3.6 billion U.S. dollars) in July and 7.9 billion pounds (13.3 billion dollars) in the first seven months in 1988.

But according to an analysis of British National Institute of Economic and Social Research, the government's aim to narrow trade gap could be achieved only by putting up the price of sterling with higher interest rates.

On the other side of the Atlantic, analysts believe that U.S. interest rates may have to go higher to keep the dollar's attractiveness for pushing down inflation and for the Republicans to win the presidential election.

"Isn't it look like a game or a war on interest rates as each goes its own way regardless the spirit of international coordination in exchange rates?" one analyst asked.

But some other view also could be heard that "the spirit of international policy coordination is still alive and that central banks are just not comfortable with the dollar's strength."

The rise in interest rates shocked financial markets. In London, the FT-SE index of 100 blue chip stocks closed Thursday 39 points down at 1,780.2, the lowest since May.

On the foreign exchanges, the U.S. dollar was lower against all other major currencies, with its London closing at 1.8655 against the Federal Germany's mark on Thursday from the previous 1.8945.

The result of higher interest rates, combined with tighter fiscal policy in some countries, would lead to slower world economic growth next year, analysts said.

According to the forecast of British National Institute of Economic and Social Research, world gross national product in real term will grow by 2.3 percent in 1989 from this year's 3.8 percent.

CSCE Final Document Awaits Unanimous Approval
OW3008045388 Beijing XINHUA in English
0125 GMT 30 Aug 88

[Text] Vienna, August 29 (XINHUA)—The followup meeting of the Conference on Security and Cooperation in Europe (CSCE) was resumed in the Hofburg Palace here today after a three-week summer recess.

The non-official talks today were attended by delegations from 35 participating countries of the Helsinki accord, except Romania, which has resolutely expressed dissatisfaction over the drafted final document of CSCE.

Rudolf Tirovsky, head of the Austrian delegation, said on a TV program tonight that he did not rule out the possibility of the failure in signing a final document at the end of the followup meeting if compromise cannot be reached.

The participants had hopefully believed before the summer recess that an agreement on the final document would soon be reached, as a result of the progress of talks in all fields, including the most-debated issues of human rights and military security.

To push ahead with the process of the followup meeting, the neutral and non-aligned countries participating in the meeting submitted a 40-page draft of the final document on May 13, and fierce debates on the content broke out at the ensuing talks.

The Romanian delegation had said the wording on the issues of human rights and religion in the draft was not acceptable for it is intended to interfere into the internal affairs of other countries.

Some amendments were made after more than two months of debates and consultations, but some delegations, Romania's in particular, still expressed reservations over the draft.

The final document of CSCE requires the unanimous signature of the participants of the Vienna followup meeting.

Song Jian Meets UN Environmentalists
OW3008234088 Beijing XINHUA in English
1413 GMT 30 Aug 88

[Text] Beijing, August 30 (XINHUA)—State Councillor Song Jian met with Deputy Executive Director of the U.N. Environmental Program William Mansfield and his wife here today.

Song, also chairman of the Environmental Protection Committee under the State Council, expressed appreciations for the U.N. Environmental Program's cooperative relations with China.

New Hungarian, Cuban Envoys Present Credentials
OW3108073988 Beijing XINHUA in English
0708 GMT 31 Aug 88

[Text] Beijing, August 31 (XINHUA)—New Hungarian Ambassador to China Ivan Nemeth and new Cuban Ambassador Jose Armando Guerra Mechero, presented their letters of credence to Vice-President Wang Zhen, respectively, here this morning at the Great Hall of the People.

Ivan Nemeth arrived in Beijing August 9 and Armando Guerra, August 26.

United States & Canada

Armacost To Meet Soviet on Regional Issues
OW3108013388 Beijing XINHUA in English
2355 GMT 30 Aug 88

[Text] Washington, August 30 (XINHUA)—The U.S. Department of State announced today that Under Secretary of State for Political Affairs Michael Armacost will meet Soviet First Deputy Foreign Minister Yuliy Vorontsov on regional issues in Moscow from September 1 to 2.

Announcing the upcoming talks, State Department spokeswoman Phyllis Oakley described the talks as part of the U.S.-Soviet "on-going dialogue" on regional issues. "The full range of regional questions will be covered," she said.

Oakley denied that the Armacost-Vorontsov meeting is a preparatory meeting for the talks between U.S. Secretary of State George Shultz and Soviet Foreign Minister Eduard Shevardnadze in autumn.

Armacost and Vorontsov last met to discuss regional issues during the Shultz-Shevardnadze ministerial talks in Moscow last February.

U.S. Welcomes SRV Decision on MIA Issue
OW3108010488 Beijing XINHUA in English
2350 GMT 30 Aug 88

[Text] Washington, August 30 (XINHUA)—The United States welcomes Vietnam's decision to resume cooperation on the issue of accounting for American servicemen listed as missing in Vietnam, the State Department said today.

In a letter to presidential special emissary General John Vessey from Vietnamese Foreign Minister Nguyen Co Thach, Vietnam says it has agreed to resume cooperation on the POW-MIA (prisoners of war and missing in action) issue, State Department spokeswoman Phyllis Oakley told a press briefing today.

Vietnam announced earlier this month that it was suspending cooperation with the United States on MIA and other humanitarian issues due to the Reagan administration's "hostile policy."

Oakley said a U.S. technical team is scheduled to meet with the Vietnamese in Hanoi from September 9 to 12 to finalize details for a joint field investigative survey and excavation activities in Vietnam.

The Pentagon lists 2,394 American servicemen as unaccounted for as a result of the Vietnam war, among whom 1,758 are believed to be missing in Vietnam alone.

Another U.S. team will visit Hanoi September 5 to 8 to discuss U.S. Government efforts to facilitate American non-governmental organization activity to address Vietnamese humanitarian concerns in the areas of prosthetics and child disabilities, according to the U.S. Spokeswoman.

"We hope that these two meetings will initiate a period of increased cooperation on all humanitarian matters of mutual interest," Oakley said.

But she added the United States is disappointed that the Vietnamese have not offered to resume cooperation on the resettlement in the United States of thousands of Vietnamese detained after the Indochina war because of their American connections.

The United States has long told Hanoi that a normalization of relations between the two countries is impossible until Vietnam clears up the questions of the Americans missing in Vietnam and pulls its troops out of Kampuchea.

Dukakis Momentum Stopped by Republican Rumors
OW3008012088 Beijing XINHUA in English
2351 GMT 29 Aug 88

[Text] Washington, August 29 (XINHUA)—U.S. Democratic presidential nominee Michael Dukakis, who was leading his Republican rival Vice President George Bush in public polls for months, is now on a down slope in several recent polls.

Bush got the boost after the Republican National Convention held in New Orleans August 18-21, as is a usual practice. His acceptance speech was considered as successful.

Dukakis has not gained much from the controversies about the selection of Bush's running mate Dan Quayle, at least so far.

Some people see that the reason for Dukakis' falling in public polls is Bush's strategy to depict Dukakis as soft on crime, defense and patriotism has worked.

Some said the Dukakis campaign does not seem competitive at the moment in being ready to offer a simple, compelling message to the voters who would change at any time.

There are still others who believe that Bush is benefiting from the country's strong economy. They said that it is a fact that many Americans think they are getting better, though Bush and the Reagan administration have exaggerated some of their achievements.

Dukakis' early success could be attributed to his use of the Iran-contra affair, the former Attorney General of the United States Edwin Meese and the White House ties with Panama strongman Manuel Antonio Noriega. But, as those stories and figures have faded from the headlines, they lack the punch they once did.

Dukakis also suffered from two attacks from the Republicans.

Dukakis' momentum was stopped earlier this month by the rumors that the Massachusetts governor had once seen a psychiatrist because of depression. Dukakis' poll numbers took a dip immediately after the story ran on television for two nights.

Another attack is that last week, a Republican senator claimed there is a picture of Dukakis' wife Kitty burning an American flag at an anti-Vietnam war demonstration. Although Kitty vehemently denied it and the senator later backed off, the damage has been made.

Attacking each other is the usual practice in U.S. Presidential election. The campaign will become more intensive as the November election draws near.

Jilin Delegation Returns From U.S. Visit
SK3008030688 Changchun Jilin Provincial Service
in Mandarin 2100 GMT 28 Aug 88

[Excerpts] After winding up its 14-day visit to the United States from 10 August, the Jilin Provincial economic delegation, headed by Gao Wen, vice provincial governor, and (Liu Molin), director of the provincial Forestry Department, returned to Changchun on 28 August.

During its stay in the United States, the delegation attentively inspected forestry and forest product processing industries; talked about the issue concerning establishing friendship ties with the State of Missouri; signed agreements on 12 items, including developing joint-funded and cooperative production items, bringing in capital and technologies, jointly running plants, setting up shop windows in New York and Los Angeles to further propagate Jilin, and developing and expanding foreign economic relations and foreign trade, with some well-known companies in the United States, such as the (Huihao) Company, (Mengshanduo) company, (Dalu-guwu) company, and the New York branch of the Zhengda enterprise group; and established friendship

ties of developing technological and information exchanges, strengthening visiting exchanges, and developing cooperation with the Forestry Department under the U.S. Government.

During its stay in the United States, the delegation also called on Ambassador Li Luye, representative of the Permanent Mission to the UN organizations; Ambassador Yu Mengjia, deputy representative of the permanent mission; Han Xu, Chinese ambassador to the United States; and responsible comrades of the general consulates stationed in San Francisco, Los Angeles, and New York; and introduced to them the situation of Jilin Province and its results gained during the U.S. visit. [passage omitted]

Gao Yan, vice provincial governor, and responsible persons of relevant departments welcomed the delegation at the railway station upon its arrival in Changchun.

Accord Signed With Canadian Insurance Company
OW3008142788 Beijing XINHUA in English
1056 GMT 30 Aug 88

[Text] Beijing, August 30 (XINHUA)—The People's Insurance Company of China (PICC) and the Crown Life Insurance Company of Canada have decided to foster "a long-term relationship on the basis of equality and mutual benefit."

This was included in a memorandum of intent signed here tonight by PICC General Manager Qin Daofu and Crown Life Chairman Michael Burns, after a three-hour discussion earlier today.

The two sides agreed to enhance cooperation in the business of reinsurance, technical exchanges and other fields, according to the memorandum.

Mr. Burns and his colleagues arrived yesterday on a five-day visit to China.

Soviet Union

Commentary on PRC-Soviet Talks on Cambodia

Soviet Role Analyzed
OW3008113088 Beijing in English to North America
0300 GMT 29 Aug 88

[(Fang Ling) commentary]

[Text] China and the Soviet Union opened ministerial talks in Beijing on Sunday. One result of the working conference could be to press Vietnam to withdraw its troops from Kampuchea. Radio Beijing's (Fang Ling) presents a commentary on the Soviet and international role to ensure peace:

China considers withdrawal of Vietnamese troops from Kampuchea the chief precondition for a Sino-Soviet summit. The withdrawal could lead to normalized relations between the two countries. It will also pave the way for the improvement of Sino-Vietnamese relations.

The Chinese Government shows a positive attitude by putting forward reasonable and practical proposals in Kampuchean issue. China supports the call to send peacekeeping forces to Kampuchea to ensure the establishment of a four-party coalition government. China agrees that the four-party coalition government should take a seat in the United Nations after the withdrawal of the Vietnamese troops from Kampuchea. The Chinese Government is also willing to join hands with other countries to provide an international guarantee for Kampuchean peace.

Ten years of fighting has brought huge human losses to the Kampuchean and Vietnamese peoples. The war has also jeopardized the stability of Southeast Asia and poses a serious threat to peace in Asia and the Pacific region. The Kampuchean issue has always been high on the agenda of world peace and security and has become more prominent under the current global trend of peaceful settlement in most of the world's hot spots.

The Vietnamese authorities have recently shown some flexibility on the issue. But they have unreasonably set the elimination of the Khmer Rouge as a precondition for their troop withdrawal. The international community has shown concern with the possibility of the Khmer Rouge returning to power after the Vietnamese pullout. But the Phnom Penh military forces, with the backing of the Vietnamese, pose much more imminent danger. And UN resolutions have repeatedly stipulated that the root cause of the Kampuchean catastrophe is the Vietnamese invasion. The Vietnamese-backed Heng Samrin regime is turning against the basic interests of the Kampuchean people and will not bring about peace in the region.

To prevent the assumption of the exclusive power by Heng Samrin regime and the return of the Khmer Rouge, the only realistic solution is the total Vietnamese military pullout. A four-party coalition government under the leadership of Prince Norodom Sihanouk should be formed with international support. And the Soviet Union should be willing to serve its role in this support.

Editorial on China's 'New Stand'
HK3108053788 Hong Kong TA KUNG PAO
in Chinese 31 Aug 88 p 2

[Editorial: "China States Its New Stand on Settling the Cambodian Question"]

[Text] The Sino-Soviet talks on the Cambodian question are expected to end tomorrow (Thursday). Since the vice foreign ministers of both countries have held the talks in secret, so far no details of the talks are available. However, China's stand on settling the Cambodian question

was made clear by Zhao Ziyang when he met Japanese Prime Minister Noboru Takeshita on 26 August this year. China believes that whether or not the Cambodian question can be fairly and rationally resolved depends not only on Vietnam but also on whether Moscow is willing to exercise its influence on Hanoi or not.

Because Zhao Ziyang talked about the Cambodian question before the Sino-Soviet talks on the Cambodian question started, it is believed that Zhao Ziyang actually stated China's new stand on the Cambodian question to both Hanoi and Moscow.

First, the Cambodian question is caused by the invasion of Vietnamese troops. The only key to a just and rational solution to the Cambodian question is that Vietnamese troops must be quickly and unconditionally withdrawn. After the total withdrawal of Vietnamese troops from Cambodia, the Cambodian question should be resolved by the four parties concerned in Cambodia, which comprise the Heng Samrin-Hun Sen regime in Phnom Penh and the three resistance forces of the Coalition Government of Democratic Kampuchea, through the establishment of a provisional coalition government headed by Prince Sihanouk and the holding of fair general elections in Cambodia. However, both the withdrawal of Vietnamese troops from Cambodia and the holding of fair general elections in Cambodia should be conducted under effective international supervision. Therefore, an international peace-keeping force should be sent to Cambodia to prevent military conflict among the parties concerned. After the establishment of the provisional coalition government in Cambodia, the troops originally belonging to the four parties concerned in Cambodia should be disbanded in order to create a unified national army in Cambodia, which will not intervene in politics. The Cambodian people should hold their general elections free from any foreign intervention to elect a democratic, independent, and neutral coalition government for their own country.

The major obstacle to the settlement of the Cambodian question is Vietnam, which has been playing some new tricks. Vietnam is trying to sow discord between Prince Sihanouk and the Khmer Rouge, going around the international community selling the idea of "preventing the Khmer Rouge from regaining power" and stressing that "the two keys to the settlement of the Cambodian question" are the withdrawal of the Vietnamese troops from Cambodia and the "prevention of the Khmer Rouge from regaining power in Cambodia." Vietnam even said that the prerequisite for the settlement of the Cambodian question is the "prevention of the Khmer Rouge from regaining power in Cambodia" and stressed that preventing the Khmer Rouge from regaining power in Cambodia is the most important factor in settling the Cambodian question. What Vietnam wants is to enable its Phnom Penh puppet regime, headed by Heng Samrin and Hun Sen, to gain ultimate power in Cambodia and therefore have full control of Cambodia. Among the four parties concerned in Cambodia, the Heng Samrin-Hun

Sen regime has the largest number of troops and the best equipment. Therefore, if the Khmer Rouge were excluded from the future coalition government of Cambodia, it would mean that the Heng Samrin-Hun Sen regime would be legalized. This is where the real danger lies.

It is true that when the Khmer Rouge was in power in Cambodia in the past, it made very serious mistakes. However, it is equally undeniable that during the 10-year anti-Vietnamese national defense war, the Khmer Rouge has been the staunchest anti-Vietnamese force in Cambodia and has gradually regained understanding and support from the Cambodian people. In the future national development and construction of Cambodia, the Khmer Rouge will certainly be able to continue to play its role. However, all these matters should mainly be decided by the Cambodian people themselves. The Hanoi authorities have no right to make decisions for the Cambodian people.

At present, Vietnam is confronted with serious domestic economic difficulties. The forces within the country opposing Vietnam's invasion of Cambodia have been gaining strength. The Soviet Union is concentrating its efforts on carrying out its reform and solving its economic problems and has come to realize that providing aid to Hanoi to support its aggression in Cambodia is really a heavy burden for itself. The Soviet Union has long wanted to shake off this heavy burden. As far as China is concerned, Zhao Ziyang said that China does not have any private interests in Cambodia and is not seeking to build any sphere of influence. At present, China is concentrating its efforts on its program of reform and opening up to the outside world. China needs a peaceful international environment. So long as Vietnam pulls all its troops out of Cambodia and allows the Cambodian people to decide their own affairs, it is certain that Sino-Vietnamese relations and Sino-Soviet relations will immediately be improved.

Trying to settle international conflicts by force will not work. Now it is time to find a peaceful solution to the Cambodian question. So long as Vietnam can demonstrate its sincerity and stop playing the political trick of sham troop withdrawals, it will be possible to resolve the Cambodian question fairly in the near future.

Estonian Reforms, Interest in China Reported
HK3008124188 Shanghai SHIJIE JINGJI
DAOBAO in Chinese 15 Aug 88 p 4

[Article by Ni Jiatai (0242 1367 3141): "Estonia Is Watching Closely China's Open Economy—Third of Special Feature on Soviet Reform"]

[Text] During my visit to the Soviet Union, some people told me that the Estonian Republic was very interested in the development of China's special economic zones. We were invited to send an expert to give lectures in Estonia.

In early March, I went from the southern city of Erivan [place-name as published], where the ice had melted and the spring breeze stroked my face, to the pearl on the Baltic coast which was still covered with ice—Tallinn. Judging from the tight schedule arranged for me by my host, I knew that they had shown great concern for China's policy of reform and opening up; for the specific measures it had taken; and that they sincerely hoped that Chinese scholars would understand the Estonian people's great enthusiasm for reform, and their earnest desire for foreign economic ties. To satisfy their demand, before delivering my report I showed them a color documentary film "Construction in China's Special Economic Zones over the Past 6 Years." When Comrade Deng Xiaoping was seen inspecting Shenzhen, the audience applauded warmly. When I gave my report in Tallinn and Tartu, the auditorium was full. Latecomers could only stand at the rear of the auditorium. When I delivered my report at the Department of Economics of Tartu University, professors and postgraduate students of other departments also came to the department to listen to my report. Some of them said: "Although we are not engaged in economics, reform is an undertaking of the entire people. China's experience is particularly useful to us for reference."

Estonian scholars and government officials told me that many Soviet economists are now doing their utmost to urge a stronger economic link with various countries in the world to promote a change in the Soviet economic structure. Selecting several proper areas to build free trade zones is an important measure for strengthening foreign economic relations. The Estonian Republic has worked out a specific plan for establishing free trade zones in areas such as Tallin, and others. They believe that the Estonian Republic possesses the following strong points:

1) A proper geographical position. Estonia is located on the Baltic coast. Its capital Tallin and Finland's Helsinki face each other across the Gulf of Finland. The distance between the two cities is only 10 nautical miles, and there have been convenient communications.

2. Estonia is the smallest republic in the Soviet Union with an area of 45,100 square kilometers and a 1.55 million population. The population is concentrated in the capital Tallinn (430,000 people). The level of economic development of the republic is comparatively high, and faster progress has been made in reform. After 1985, Estonia took the lead in carrying out experimental reforms in many fields to explore ways for reform. At present, Estonia has established about 400 cooperatives. The proportion of individual laborers is much higher than the average level of the whole country. Some 1/3 of taxis are run by individuals. A faster step has also been taken in the industrial sector. The light industrial sector is conducting an experiment establishing enterprise groups involving production enterprises, design units, wholesale trade centers, raw material supply bases, retail shops, and so on. The establishment of enterprise groups

will systematically link raw material supply, production, sale and scientific research, and remove the barrier between higher and lower levels and between different departments in terms of the leadership system. This will give rise to a direct tie between production and sales and coordinate market information. Better results have been achieved through the experiment: customers' demand for commodities in short supply on the market can be satisfied promptly. Production output of carpets, knitted goods, leather products, and so on has increased by a wider margin. Compared with labor productivity and profits before the reform in the light industrial sector, labor productivity has increased by 15 percent, and profits by 23 percent.

3) Educational quality of the Estonian people is comparatively higher. They have a stronger consciousness for democracy. Many people have a good command of foreign languages, such as Finnish, German and English, and so on. Some people do not speak Russian well, but can speak German or Finnish very fluently. I came into contact with intellectuals at the higher level. Many of them are familiar with the trend of world economic development, and understand China's achievements in reform. They stressed: To develop its economy, the Soviet Union must throw itself into the torrent of the world economic development. Seclusion can only bring about a stagnation.

Xinjiang Signs Trade Agreements With USSR
OW3008041988 Beijing in Russian to the USSR
1800 GMT 29 Aug 88

[Text] Xinjiang Uygur Autonomous Region has signed export and import contracts with the USSR, worth 150 million Swiss francs. It is envisaged that during the year, contracts worth 200 million francs will be signed. This figure is 10 times greater than last year's level.

In recent years, trade and crossing points were established in this autonomous region in the town of Korgas in Yining County and in Turugart settlement in south Xinjiang. Xinjiang currently maintains close trade ties with the union republics of the USSR. In August, this autonomous region was visited by trade delegations from the Kirghiz and Kazakh republics and a number of agreements on technical and economic cooperation were signed.

USSR Destroys More Medium-Range Missiles
OW3008044288 Beijing XINHUA in English
0056 GMT 30 Aug 88

[Text] Volgograd, August 29 (XINHUA)—The Soviet Union has destroyed by Monday 22 medium-range missiles, including 13 SS-20's, and 56 shorter-range missiles (with a range of 500-1,000 kilometers), a Soviet general told a press conference here Monday.

Lieutenant-General Igor Sergeyev, first deputy chief of staff of the Strategic Missile Forces, said, as the SS-20 uses solid fuel, it is destroyed by launching and detonating while the SS-4 and SS-5, both of which use liquid fuel, could be dismantled after releasing the liquid fuel in them.

On Sunday, Soviet technicians destroyed 3 SS-20's at the Kapustin Yar missile testing site 90 kilometers southeast of Volgograd, with the presence of a group of U.N. officials, foreign diplomats and journalists.

The Soviet general noted that more than 600 missiles will be scrapped at Kapustin Yar by blasts.

On Soviet-U.S. mutual inspection of missile bases, another Soviet official said that U.S. inspectors had viewed 117 projects in the Soviet Union, Democratic Germany and Czechoslovakia, while Soviet experts had inspected 31 sites in the United States and Western countries.

Northeast Asia

Zhao Urges Japan To Lead Investment in PRC
OW3108075988 Beijing XINHUA in English
0738 GMT 31 Aug 88

[Text] Beijing, August 31 (XINHUA)—Chinese Leader Zhao Ziyang said here today that China hopes Japanese entrepreneurs and firms will lead foreign investment efforts in China.

Zhao, general secretary of the Central Committee of the Chinese Communist Party, said this when he met Honorary Chairman Ryoichi Sasakawa and Chairman Setsuya Tabuchi of the Japanese Sasakawa Peace Foundation, and their party in Zhongnanhai here this morning.

In reply, Setsuya Tabuchi told Zhao that the investment protection agreement signed between the two countries during Japanese Prime Minister Noboru Takeshita's recent visit to China was what Japanese entrepreneurs have been hoping for. A big growth is expected in Japan's nongovernmental investment in China as a result, he added. He pledged to make unremitting efforts in this regard.

Zhao said Prime Minister Takeshita's China visit was a success which has further improved China-Japan relations.

Zhao said China hopes Japanese entrepreneurs and firms will also strive to expand China-Japan trade and China's imports of Japanese technology.

Following the signing of the investment protection agreement, Zhao said, China hoped there will be a big development in investment and establishment of enterprises in China by Japanese entrepreneurs.

Tabuchi said that he would convey what Zhao said to his friends of Japanese financial and economic circles.

The Sasakawa Peace Foundation is a nongovernmental international exchange organization made up of big Japanese financial groups and companies.

Zhao noted that the development of Sino-Japanese friendship is closely linked with people-to-people contacts between the two countries.

He said progress in Sino-Japanese friendly relations lies in the two channels of government-to-government and people-to-people contacts.

Zhao praised Sasakawa and Tabuchi for having done a lot to develop such relations.

Sasakawa said he believes the world is of one family and human beings are brothers and sisters. He said he would do more for developing Japan-China friendship.

Tabuchi, who is also chairman of the Board of Directors of Nomura Securities Co. Ltd, said the company has been progressively involved in cooperation with China in the field of finance since 1980.

Chinese Stocks Offered
OW3108083988 Tokyo KYODO in English
0723 GMT 31 Aug 88

[Text] Beijing, Aug. 31 KYODO—Chinese Communist Party General Secretary Zhao Ziyang on Wednesday told a private Japanese mission that Japanese investors can acquire the stocks of Chinese companies in return for their investments in the companies, a mission member said.

Zhao made the remarks in a meeting with the Japanese friendship mission headed by Ryoichi Sasakawa, honorary chairman of the Sasakawa Peace Foundation, according to Setsuya Tabuchi, chairman of the foundation and chairman of Nomura Securities co.

Zhao praised Japanese Prime Minister Noboru Takeshita's six-day official visit to China which ended Tuesday, saying the visit has paved the way for closer and stronger ties between the two countries, Tabuchi said.

Zhao called for a swift increase in Japanese private investments in China in the wake of the signing of a Japan-China investment protection accord, Tabuchi said.

In a bid to attract more foreign investors, the Chinese Government recently issued dollar-denominated stocks of a large corporation in Liaoning Province, and plans to offer them to foreign corporate and individual investors. China has also moved to sell off some badly managed companies to foreign investors.

Zhao's remarks were considered as signaling his positive stance toward promoting such new ways of attracting foreign investments to China.

Zhao Ziyang Talks With KYODO President
OW3008132688 Beijing BEIJING REVIEW
in English 29 Aug-4 Sep 88 pp 6-7

[Text] Chinese leader Zhao Ziyang said on August 16 that the next five years will be an extremely important historical period in which the old economic structure of China will be transformed into a new one.

"China's comprehensive reform has entered a period of tackling the most difficult problems," Zhao, general secretary of the Chinese Communist Party Central Committee, told Shinji Sakai, president of Japan's KYODO NEWS SERVICE. The meeting took place in Beidaihe, a summer resort by the Bohai Sea.

Zhao said that some foreign press organizations have speculated that at a recent party Central Committee meeting in Beidaihe differences of opinion occurred, leading to the suspension of the meeting.

"This is completely unfounded," he said. "Actually we began the 10th meeting of the Political Bureau of the Central Committee yesterday (August 15)."

Zhao said the Political Bureau meeting would discuss the reform plan prepared by the State Council.

"As soon as the plan is adopted in principle at the Political Bureau meeting," he said, "we will solicit opinions from other groups and convene more meetings to work out concrete plans. It is expected that ample preparations will be made for next year's reform before the end of this year.

"Even after five years we will not be able to say that China's reform has been completed. But the basic framework will have been established," he said.

"During the period of economic reform, particularly in the present key period of reform, there will be no question about the suspension of political restructuring. Of course, we will run into problems of this or that kind. But we will steadfastly carry out the political reform.

"Although only a little more than half a year has passed, we have steadily carried out our plan in various areas except for the country's civil service system," he said. "Setting up the civil service system is a relatively complicated problem. Nine drafts have been made of a tentative plan for this and specialists in various fields have gradually tended to hold comparatively converging views on the issue. The plan will soon be made public before implementation."

Dwelling on the five-year reform plan, Zhao said the problem China is now most concerned about is whether it can ensure the success of the reform. That is to say, the problem is whether, after the next five years of reform, China's economy will be transformed either into one in which the state regulates the market and lets the market guide the enterprises, or one which is bogged down in waves of price rises only to finally return to the old price parity at a new level.

"If the latter occurs, the reform will have failed to achieve its goal. In other words, it will have gone full circle back to its original state."

Zhao said this issue involves not only price reform but also reform of the entire economic setup, such as the labour system, wage system, financial system, and especially the reform of the enterprise system and the development of the market.

Therefore, he continued, in the five-year reform plan, China gives priority to the extension of enterprise reform. This is because without an increase in enterprise efficiency, price reform can hardly be a success, and the key to the increase of enterprise efficiency lies in making enterprises compete for markets, thus promoting the better and eliminating the inferior ones.

"Whether we can in the course of reform check excessive price rises will be the deciding factor in whether the reform programme for the next year is carried out smoothly.

"This requires that we combine price reform with efforts to curb inflation."

While describing China's economic situation as "very good," he said there are some persistent problems, including economic overheating in some sectors and overextension in construction. "Next year we will take appropriate steps against these problems."

Asked what new progress has been made in exchanges between Taiwan and China's mainland, Zhao said that Taiwan's ruling Kuomintang recently held its 13th national congress, at which a new policy towards the mainland was worked out.

"Although there were some remarks at the congress which were incompatible with the situation, we welcome this new policy. Of course, we hope the Taiwan authorities will take still bigger steps in this regard," he said.

Talking about international relations, Zhao said that the essential condition for holding high-level Sino-Soviet talks is that the Soviet Union must urge Vietnam to withdraw all its troops from Kampuchea.

Zhao told Sakai that China and the Soviet Union will deal with the Kampuchea issue during the forthcoming talks between the two countries' vice-ministers of foreign affairs. He wished the talks success.

He said that chance of high-level Sino-Soviet talks depend on whether the conditions are ripe. If they are, senior leaders of the two countries will surely meet some day.

Kampuchea [subhead]

On the Kampuchea issue, Zhao branded as "illogical" Vietnam's argument at the Jakarta informal meeting that the Vietnamese troop withdrawal from Kampuchea should be linked with efforts to stop Pol Pot from coming to power again.

The former is a question of aggression while the latter is an internal issue for Kampuchea, he said, adding that the aggressor and the victim cannot be mentioned in the same breath.

Zhao reiterated China's consistent position of not favouring any party monopolizing power or the exclusion of any party from power.

"The Khmer Rouge should not be allowed to assume power exclusively, and the Heng Samrin regime, a fait accompli created by Vietnamese aggression, must not be allowed to continue in power," Zhao said.

"Nowadays, some people are only concerned about how to keep the Khmer Rouge from returning to power in Kampuchea and neglect to consider how to prevent Heng Samrin from continuing in power. As far as I know, Heng Samrin's forces are no weaker than those of the Khmer Rouge. Therefore, after the withdrawal of Vietnamese troops it is still possible that the Heng Samrin regime will continue to exist."

Turning to Sino-Japanese relations, Zhao said it is significant that Japanese Prime Minister Noboru Takeshita is to visit China on the occasion of the 10th anniversary of the conclusion of the Treaty of Peace and Friendship between China and Japan.

Further Reportage on Visit by Japan's Takeshita

Takeshita Returns to Tokyo

OW3008142388 Beijing XINHUA in English
1131 GMT 30 Aug 88

[Text] Tokyo, August 30 (XINHUA)—Japanese Prime Minister Noboru Takeshita returned to Tokyo today from a six-day visit to China.

Takeshita told accompanying Japanese reporters in China's ancient capital of Xian that the visit enabled him to strengthen Sino-Japanese ties. He also said that Japan's cooperation with China's reforms contribute to not only the two countries' peace and prosperity but also the world's.

A senior Foreign Ministry official Monday told a press conference that the prime minister's visit would lay the foundation for opening a new era of relations with China.

Further on Zhao Meeting

HK3008122488 Beijing RENMIN RIBAO
in Chinese 27 Aug 88 p 1

[Report by correspondent Yao Li (1202 0500): "Zhao Ziyang Meets Takeshita"]

[Text] Beijing, 26 Aug (RENMIN RIBAO)—When meeting Japanese Prime Minister Noboru Takeshita in Zhongnanhai this morning, Zhao Ziyang, General Secretary of the CPC Central Committee, said: Following the 13th CPC National Congress last year, when meeting with Japanese journalists, I invited Your Excellency to visit China. Therefore, you are my guest as well as a guest of Premier Li Peng's. I express my admiration for your efforts to develop long-term Sino-Japanese friendship and cooperation after you became prime minister and I hope that leaders of both countries will continue to work hard together and strengthen cooperation so as to bring about a new situation in Sino-Japanese friendship.

Prime Minister Noboru Takeshita expressed the hope that his current visit would serve as a new starting point in the development of Japanese-Chinese relations. He said: Japan fully understands the difficulties and problems China encounters in its endeavors to open up to the outside world and to carry out reform. It is natural for Japan to strengthen its economic cooperation with China. Such cooperation will benefit not only China but also Japan and the Asian-Pacific region as a whole.

At Takeshita's request, Zhao Ziyang briefed him on China's strategy for developing the coastal areas and elaborated on the China's stand and advocacy on the Cambodian issue.

Noboru Takeshita said: Through the General Secretary's talk, we have gained a deeper understanding of China's stand on a political settlement of the Cambodian issue. As I see it, this stand and advocacy of China's is logical. We also believe that Vietnam should withdraw its troops from Cambodia before the setting up of a democratic government there. We hold an identical view on this issue.

Present at the meeting were Foreign Minister Qian Qizhen and Culture Minister Wang Meng.

Further on Deng Meeting
HK3008124688 Beijing RENMIN RIBAO
in Chinese 27 Aug 88 p 1

[Report by correspondent Yao Li (1202 0500): "Deng Xiaoping Meets Takeshita"—quotation marks as published]

[Text] Beijing, 26 Aug (RENMIN RIBAO)—Deng Xiaoping, chairman of the Central Military Commission, met with Japanese Prime Minister Noboru Takeshita and his wife and entourage at the Great Hall of the People this morning. When Prime Minister Takeshita arrived at the hall, Deng Xiaoping greeted him elatedly and shaking the Prime Minister's hands, he said: "I especially returned from outside Beijing last night to meet you." Takeshita thanked him for this. Deng Xiaoping went on to say: "With Your Excellency taking office as prime minister, the Sino-Japanese friendly relations will enter a new stage." In reply, Takeshita said: "I am very excited to meet a Chinese statesman of the older generation."

After the host and guest took their seats, Deng Xiaoping humorously said: "Our two countries are undergoing a change of the guard. I have been replaced. 'I am now carrying out some leisurely and carefree seaside activities.' I am a person who is enthusiastic about promoting Sino-Japanese friendship, so I especially returned from Beidaihe to meet you. I hope that your visit will be a new starting point for establishing a new type of relationship which is on no lower a plane than that forged under the periods of Kakuei Tanaka and Masayoshi Ohira. I said that our relationship during the periods of Kakuei Tanaka and Masayoshi Ohira was relatively good, because it was founded on the basis of mutual trust. To further develop this relationship in the future, we must also base it on mutual trust."

Takeshita expressed his full understanding of what Chairman Deng meant in his talk.

Deng Xiaoping briefed Takeshita in detail on China's development steps. He stressed: Major reforms must be carried out if China is to advance to the ranks of the middle-level developed countries by the middle of the next century. He pointed out: Efforts should be made to grasp three major links in future development: In reform, we should have firm resolve coupled with careful planning; in development, we should strive for an appropriate economic growth rate, because neither too fast nor too slow a rate will do; and with international cooperation, we will be better able to tide over our difficulties.

Deng Xiaoping expressed his gratitude to Japan for its willingness to start a new cooperation with China. He said: We hope that Japan can strengthen cooperation in such areas as technology transfer and investment. In this

regard, Japan's medium-sized and small enterprises, which have enormous capacity, are welcome to invest in China. These are much more important than granting loans.

Noboru Takeshita said: It is possible for China to realize its own development plan. Japan will strengthen economic and technological cooperation with China. Such cooperation is also beneficial to Japan.

More on Yang Shangkun Meeting
HK3008130088 Beijing RENMIN RIBAO
in Chinese 27 Aug 88 p 1

[Report by correspondent Yao Li (1202 0500): "Yang Shangkun Meets Takeshita"]

[Text] Beijing, 26 Aug (RENMIN RIBAO)—At the Great Hall of the People this morning, State President Yang Shangkun said: Since China and Japan normalized relations in 1972 and signed a Treaty of Peace and Friendship in 1978, the bilateral relations have developed satisfactorily and in an all-round way. Such an encouraging situation in Sino-Japanese friendship and Sino-Japanese relations is not easy to come by. Therefore, we should treasure it dearly. So long as we treat each other honestly, take into consideration the overall situation, pay attention to history, face reality, and solve existing problems in the bilateral relations in a timely and proper manner, the two countries will surely see a further development of bilateral relations on the existing favorable basis. The statesmen of both countries have responsibility in consolidating and expanding the existing good relations.

Yang Shangkun made these remarks when meeting Japanese Prime Minister Noboru Takeshita who was paying a visit to China. He said: Prime Minister Takeshita is our respected old friend. Your Excellency have made strenuous efforts to enhance the friendly cooperative ties between our two countries since taking office. We express our thanks to you. This year marks the 10th anniversary of the signing of the Sino-Japanese Treaty of Peace and Friendship. On this happy occasion, Prime Minister Takeshita came here for a visit. I extend my warm welcome to you.

Elatedly Prime Minister Takeshita said: I am very pleased to visit on the occasion of the 10th anniversary of the signing of the Sino-Japanese Treaty of Peace and Friendship. I will, regarding this occasion as a starting point, work to further expand bilateral relations and seek lasting friendship between Japan and China.

More on Xian Speech
HK3108100288 Beijing RENMIN RIBAO
in Chinese 30 Aug 88 p 4

["Dispatch": "Takeshita Delivers a Speech in Xian Entitled 'In Quest of a New Leap'"]

[Text] Xian, 29 Aug—Japanese Prime Minister Takeshita made a speech entitled "In Quest of a New Leap" in the Xian people's building this morning.

Takeshita first said that he was very happy and felt greatly honored that he could take the opportunity to explain his belief in the old city of Xian, which is proud of its long history and culture, adding that his long-cherished dream of visiting Dunhuang had come true. He continued: Dunhuang has been introduced to Japan through various channels, but when I first entered the Mogao cave, I felt as if the people who painted the beautiful frescoes were directly talking to me from a span of time transcending 1,000 odd years. I was deeply moved. Brilliant cultural flowers have blossomed in this western region, which was ridden by wars in ancient times. It is even more praiseworthy that these cultural flowers have been preserved until today. I am deeply moved by this. At the same time I also know how eagerly the people who have preserved and handed them down cherish peace.

Takeshita said: I made up my mind to engage in politics when the war was just over. On my way to my gloomy native place facing the Sea of Japan, I saw the "ruins" remaining from the war. Cherishing the idea that war should no longer be allowed to break out and that the country should no longer be allowed to be devastated, I was determined to devote myself to building a peaceful and prosperous country. This was my motive for engaging in politics.

He emphasized: Peace is the only road Japan should take. There is no other way out for Japan apart from peace. This is the belief I have obtained from my own historical experience and is also the wish of the Japanese people. Under the Constitution that advocates this wish, we always uphold that the country will never take a militarist road but will instead make contributions to realizing eternal peace in the world by flexibly applying its strength in the political, economic, and cultural fields.

He said: Fortunately, Japan has become one of the few economically powerful countries in the world thanks to the unswerving efforts made by the Japanese people and to the excellent international environment. Today Japan should persist in its stand as a peace-loving country, play a role corresponding to its national strength, and assume its responsibility so as to meet the great expectations of the international community. It should also closely cooperate with the peace-loving people of other countries in making greater contributions to the world. He stressed: It is on this basis that, since my assumption of office, I have taken the position of "a Japan that contributes to the world" as the main target in policy, and I will devote my efforts to this end.

Takeshita then aired his views on Japan-China relations. He said: Since the normalization of Japan-China relations, the two countries have made continuous efforts to set an example of countries under different systems maintaining friendly coexistence. During this period, Japan and China have witnessed great developments and their relations have expanded. Now a solid foundation is being laid for further development. I am convinced that

on the basis of exchange for the past 2,000 years, the time has come when the two countries will make a new leap toward the 21st century.

While referring to the development of Japan-China relations, Takeshita said that the world is in the midst of great changes in the political and economic fields. Considering the future positions of the two countries in the international community, we should say that Japan-China relations involve something much more important than the interests of the two countries. Under the changeable international situation, I believe the two countries, which are situated in the astonishingly fast-growing Asian-Pacific region, can cooperate in a wide range of fields in making positive contributions to world peace and prosperity. I would like to reiterate that Japan's basic policy toward China proceeds from the serious introspection of the past course of history and follows the Japan-China Joint Declaration, the Japan-China Peace and Friendship Treaty, and the Four Principles on Japan-China relations. Japan will further strengthen and develop the friendly cooperation between the two countries and will work as hard as it can to make their relations unshakable and invulnerable under any circumstances.

Prime Minister Takeshita also talked about the achievements of his China visit. He said: While in Beijing, I frankly exchanged views on the international situation and bilateral relations with His Excellency General Secretary Zhao Ziyang, His Excellency Chairman Deng Xiaoping, His Excellency President Yang Shangkun, and His Excellency Premier Li Peng. These exchanges of views have afforded me a clear idea of Chinese leaders' thoughts and have also further strengthened mutual trust. I am proud of this.

He pointed out: There may be difficulties and frictions in the future due to the different systems of the two countries. I believe, however, all problems will be resolved so long as the two countries trust each other, respect each other's national conditions, and proceed from the overall situation of developing their friendly relations. My current visit to China has further strengthened my belief.

Japan highly values the collective wisdom of the leaders and people of China as well as their efforts and enthusiasm in realizing modernization. Japan is determined to provide cooperation as much as possible. Your country's modernization is not an easy cause, but I believe the 1 billion people who are full of vigor and have a vast and rich territory will succeed in their cause. The Japanese and Chinese Governments have conducted economic and technological cooperation since 1979. On the occasion of my visit to China, I have agreed to provide a new loan of 810 billion yen to your country.

Takeshita spoke highly of China's policy of reform and opening up to the world. He said: China's policy of "reform and opening up to the world" is well received by

our country and other countries in the world. This is because this policy is of great importance in stabilizing and strengthening relations between China, Japan, and the neighboring countries as well as in maintaining peace and prosperity in the Asian-Pacific region and the rest of the world, apart from having an important bearing on your country's modernization. In this sense, leaders of your country have made it clear time and again that they will adhere to this policy and speed up its implementation. This is gratifying.

Takeshita said: The healthy development of economic relations between Japan and China is very important to the future of the two countries. Greater efforts should be made in this respect. Everyone is expecting that the Japan-China investment protection agreement, which has just been formally signed, will promote investments and technological transfers and appropriately stimulate economic exchanges between the two countries. I hope that your country will make further efforts to improve your investment environment so that our civilian-run enterprises will increase their investments in China.

Takeshita continued: I am aware that your country is doing everything possible to realize the peaceful reunification of the motherland. Through peaceful negotiations with the relevant countries, it has opened up the channel of resolving the Hong Kong and Macao issues satisfactorily. I also highly value this. In addition, I welcome the marked development of people-to-people exchanges between the Chinese mainland and Taiwan recently. Our country's basic policy toward Taiwan as clarified by the Japan-China Joint Declaration will remain unchanged. Proceeding from this stand, we expect that exchanges between the two sides of the Taiwan Strait will witness further development.

On Japan's foreign policy, Takeshita said: As an important link in putting into effect the theory of a "Japan that contributes to the world," I have proposed a "concept of international cooperation," and efforts are being made to materialize it. It is supported by the three main pillars of peaceful cooperation, expansion of cooperation with developing countries for the sake of their economic and social development (provided with government assistance), and promotion of international cultural exchanges. Japan is trying to carry out cooperation with various countries by coordinating these three things.

Takeshita said: In view of the great development of the political and economic relations between the two countries, I think only by adding more substance to cultural exchanges, can the relations of the two countries develop more extensively. There are all types of culture in the international community, and this culture is the common wealth of man. The people throughout the world should be entitled to enjoy its universal value. I have gained two important points of enlightenment from my current visit: The first point is that inheriting culture is the impetus that produces a desire for peace, and peace is the necessary condition for cultural development.

The second point is that culture is stimulated and enriched through exchanges of different types of culture, and a new type of culture will come into being following the cultural creation by various nationalities. The "spring of Changan," which is known for its prosperity and culture, emerged during a long-lasting peace. During the Naliang era, our ancestors, overcoming difficulties, created a new type of culture after assimilating and absorbing it. Today the Japanese people cannot help feeling excited at the mention of the Silk Road, Dunhuang, and Changan. This is because culture with this background still lives in their hearts. In other words, the place in which I am now standing is one of the sources of Japanese culture, or the hometown of its spirit. It is no exaggeration to say this.

Prime Minister Takeshita made the following three suggestions:

The first one is expanding human exchanges; the second one is invigorating heart-to-heart contacts; and the third one is carrying out cooperation in preserving cultural relics and remains. Our government's new suggestion for cooperation by Japanese and Chinese officials and people in preserving the Dunhuang cave and studying the western region is based on this understanding.

Deeply moved, Prime Minister Takeshita continued: The great nature is now ushering in a good harvest autumn. I am convinced that the era has come when Japan and China should share common efforts in enabling the flowers planted by our predecessors to grow more beautifully and bear richer fruit as well as in making a new leap forward. Let us make further efforts so that not only will the people of the two countries treasure the flower of friendship as their own wealth, but the people in the rest of Asia and the world will also enjoy it. Let us cooperate for the peace and prosperity of the world!

Before concluding his speech, Prime Minister Takeshita expressed the hope that, like the name of Changan, China will maintain long-term peace and prosperity in the course of realizing its modernization! He also hoped that friendship between the two countries will develop for a long time to come and will remain strong and unshakable, like the Dayan pagoda described by a poet in the Tang dynasty.

Commentary on 'New Leap'

HK3108131888 Beijing RENMIN RIBAO
in Chinese 31 Aug 88 p 6

[Commentary by reporter Sun Dongmin (1327 2639 3046): "A Visit in Search for a New Leap in Japanese-Chinese Relations"]

[Text] On 30 August, Prime Minister Noboru Takeshita's special plane took off from Shanghai Hongqiao Airport. When seeing the prime minister off and congratulating him on the success of his 6-day official

goodwill visit, everybody strongly felt that his repeatedly voiced desire that his current visit would initiate a new leap in Japanese-Chinese friendly relations and cooperation is going to be realized very soon.

It is the 16th year since the normalization of diplomatic relations between China and Japan and the 10th anniversary of the signing of the Sino-Japanese Peace and Friendship Treaty that Takeshita paid an official goodwill visit to China. Both the Chinese and Japanese people hope to take this opportunity to review the development of friendly relations and cooperation between China and Japan and to appropriately reorient Sino-Japanese relations before marching into the 21st century. The current visit by Prime Minister Takeshita, as a timely act to keep up with the historical trend, has scored remarkable substantial results. The two countries have now reestablished a political relation of mutual trust, their economic cooperation is entering a new period of solid development, and cultural exchanges between the two countries have reached a new height.

Regarding political relations, both sides have reiterated the value of the Sino-Japanese Joint Declaration, the Sino-Japanese Peace and Friendship Treaty, and the Four Principles guiding the development of Sino-Japanese relations as the basis for the healthy and steady development of bilateral relations. The Japanese side has declared that its fundamental policy toward China is based on a serious introspection of history, and it will adhere to the spirit embodied in the Joint Declaration and the treaty, continue to work for the development of friendly relations between the two countries, and turn them into the kind of relations that will never be shaken under any circumstances. Meanwhile, both sides have emphasized the necessity of taking the overall interests in Sino-Japanese relations into consideration. Both China and Japan believe that bilateral friendly relations and cooperation are not only in the interests of the two countries but will also have an important influence on peace both in Asia and the world. Therefore they agree that Sino-Japanese relations must be viewed from the angle of world peace. Both sides have emphasized that a positive attitude and mutual trust are needed to solve problems and remove obstacles to the development of bilateral relations.

Prime Minister Takeshita said: With regard to the settlement of the Kokuryo case, the Japanese Government will adhere to the principle of one China and there will be no change in Japan's basic stand on the Taiwan issue, which was already stated in the Japanese-Chinese Joint Declaration. Having drawn a lesson from history, Japan will never repeat its past mistake again.

With regard to the economic and technological cooperation between China and Japan, Prime Minister Takeshita declared on different occasions that his country would cooperate as much as possible in assisting China with the implementation of its modernization program. During his visit to China, he announced that

Japan had agreed to extend new loans totaling 810 billion yen to finance 42 projects relating to transport, electric power, and agriculture to be started in China. It should be admitted that this is a valuable gift presented by Prime Minister Takeshita. A Sino-Japanese agreement on protecting investments was also officially signed during Takeshita's stay in China, and the two countries have agreed to hold a meeting on scientific and technological exchange to discuss the technology transfer issue. It is believed that the new loans and the agreement on protecting investments will further economic and technological cooperation between the two countries and will also serve as a moderate stimulus to encourage Japanese enterprises to make investments in China. Sources concerned have noted that some Japanese enterprises are now showing interest in investing in China, which is an encouraging and welcome development.

Enhancing cultural exchanges between China and Japan was one of the major purposes of Prime Minister Takeshita's visit to China. He enthusiastically praised the civilization of ancient China and declared on different occasions that the Chinese culture represented by the Dunhuang and Xian cultures is the origin of the Japanese culture and the "spiritual cradle" for the Japanese. He delivered a speech entitled "Seeking a New Leap," enthusiastically presenting 3 proposals for the promotion of Sino-Japanese cultural exchange, namely, the extension of personnel exchanges, the promotion of heart-to-heart communication between the Japanese and the Chinese, and cooperation between Japan and China for the preservation of cultural relics and historical remains. Prime Minister Takeshita noted: Cultural exchanges between Japan and China are favorable to the development of friendly relations and cooperation; another aim of ours in promoting such exchanges is to make Japanese youngsters know where Japan's spiritual civilization came from and to teach them to treasure with a thankful feeling the culture of ancient China which nourished the Japanese culture—that will help us to build Japan into a country enjoying material and spiritual harmony. It is obvious that Prime Minister Takeshita has upgraded the significance of the expansion of cultural exchanges between China and Japan.

It is noteworthy that during the visit, Prime Minister Takeshita asserted that the economic relations between Japan and China should not be regarded as Japan's unilateral aid to China, but a kind of cooperative relation under which the two sides help supply each other's needs. The prime minister showed his great respect to Chinese leaders of the older generation and repeatedly expressed thanks to senior Chinese and Japanese leaders for the efforts they had made in laying down a solid foundation for Sino-Japanese relations. Prime Minister Takeshita's eager and sincere wish to strengthen friendly relations and cooperation between Japan and China and his modesty have made a deep impression on everyone he met.

It is believed that Prime Minister Takeshita's present visit to China will be of important significance to the

history of Sino-Japanese relations. Now that a decade has passed since the signing of the Sino-Japanese Peace and Friendship Treaty and the second decade has come, it is expected that the Chinese and Japanese people will treat each other more sincerely and make joint efforts to open new prospects for the development of friendly relations and cooperation.

Japanese Consumer Market Discussed
HK3108085588 Beijing RENMIN RIBAO
in Chinese 27 Aug 88 p 7

[Article by Shi Zhan (2457 1455: "How They Enter Japan's Market")]

[Text] Japan's selling method is special, its trade barriers are strict, and the social and cultural thinking is complicated. It is definitely very difficult to sell products to Japan. However, viewing the experience of American and European countries, and the "Four Small Asian Dragons," this door can be opened.

As we know, private, special relationships among the Japanese play an important role in the management of their trade. When the Japanese want to buy foreign goods, they will always buy from the distribution agents they are familiar with as they will feel easier this way. The West German Bavarian Motor Works Company has made use of this thinking in selling its products on the Japanese market. What the 20,000 distributing agents in Japan sell are brand-name cars produced by big companies such as Toyota, Nissan, Mitsubishi, and so on. The Bavarian Motor Works Company played a trick. It reached an agreement with a Japanese food company to provide technology and for the food company to contribute money, to build up selling points. It made use of the reputation and selling network of the food company to sell its cars to customers. It has also gradually built up links with nonautomobile companies—soy sauce companies, civil engineering construction companies, machinery manufacturing companies, department stores, and so on, and thus formed its own special selling network. In only 5 years, it has established a record by selling 14,000 cars per year, and has taken root in Japan.

Foreign businessmen in general emphasize winning the market by offering good quality and low prices, beautiful packaging, and good service. For instance, the reason why the special bevel gear machine tool produced by the American Ge-li-sen [2706 0448 2773] company gained a strong position in the market is because the quality of the product is better than the Japanese ones. Even two brand name companies—Toyota and Nissan—bought some 500 machine tools from them. For another example, because of the good quality and the low price, the products sold by the Asian "Newly Developed Countries' (Areas) Super Store" recently opened at Hozumi, southwest of Tokyo, are well received by Japanese consumers. As reported, the prices of most of the commodities sold in this store are cheaper than that of Japanese goods by 30 to 40 percent. For a 14-inch color television

set manufactured by the South Korean Three Stars Company, the selling price is \$212, but for a Japanese color television set of a similar model, the selling price is \$315 or more. Even the Japanese say that: The quality of the products produced by the Three Stars Company is compatible with that of Japanese goods. At present, Japanese manufacturers have imported more and more products from Asian countries and areas. They will then change the appearance of these products to match the taste of the Japanese. This is a phenomenon to which we should pay attention. Experts say the reason why the commodities of the four small Asian dragons can enter the Japanese market is due to the fact that their commodities are of good quality and low price, and therefore they have competitive capability.

The understanding of Japan's social customs and cultural thinking, and Japanese people's habits, consumption patterns, and so on, is of help in entering the Japanese market. For instance, the Japanese are very sensitive to products that are low priced and products that have better quality than Japanese products, and they are also hypercritical about the packaging and after-sale service. In contrast to American people, who will only go out once a week to buy the things they need for a week and then store them, Japanese housewives go to the market everyday. These are the characteristics of the consumption behavior of the Japanese. Another two examples: First, the American Mattel Toys Company produced a toy. It is a best selling item in the United States. However, when it was first marketed in Japan, the response was not good. A worker suggested changing the curly golden hair into straight black hair, and the blue eyeballs into eastern people's dark eyeballs. Thus, this toy could match the taste of the Japanese women and children, and has developed its market. Another example is that when the Johnson and Johnson Company began to sell a furniture polish, it also encountered difficulties. Later on after investigation, it realized that the lemon scent of this polish is similar to that of the scent emitted from a Japanese toilet sterilizer. Since then this product, when sold in Japan, does not have lemon scent. As a result, sales have increased.

Southeast Asia & Pacific

'Peaceful Demonstrations' Continue in Rangoon
BK3008134488 Beijing International Service
in Burmese 1130 GMT 30 Aug 88

[Text] According to a XINHUA news report, tens of thousands of people staged peaceful demonstrations in Rangoon yesterday. Most of the demonstrators were students, who were also joined by teachers, artists, government employees, people of the Islamic faith, monks, workers, and ordinary folk. According to XINHUA, the demonstrators demanded democracy, an end to the one-party system, the introduction of a multiparty system, the formation of an interim government, and the holding of general elections.

It is also learned that a University Students Union was formed by the students on 28 August.

Ministry Staff Urges Change

*OW3008160188 Beijing XINHUA in English
1543 GMT 30 Aug 88*

[Text] Rangoon, August 30 (XINHUA)—About 200 staffs of the Burmese Foreign Ministry made an announcement today urging the authorities to practise multiparty system and form an interim government, according to well-informed sources.

The local press reported today that some staffs of the Foreign Ministry took part in demonstrations and processions yesterday.

The Burmese Foreign Ministry is the last government department, with the exception of the Defense Ministry, to have taken part in demonstrations.

Corporations and departments under the government ministries today formed a committee demanding the authorities to abolish the present Constitution, to form an interim government and hold a general election.

Over 1,000 monks gathered in Shwedagon Pagoda this afternoon and formed a monks union. Then they held a demonstration.

Worker, Teacher Groups Formed

*BK3108125988 Beijing International Service
in Burmese 1130 GMT 31 Aug 88*

[Text] A XINHUA news report says that the dock workers in Rangoon have formed a union on 29 August—the first workers organization set up by the workers themselves since 1962. There are 13,000 dock workers in Rangoon, and some of them, together with teachers, joined the protests staged by the students on 29 August.

It was also learned that the teachers of Rangoon University have also formed a strike committee on 29 August.

Meanwhile, the Attorneys at Law Committee registered with the government rejected on 29 August the State Council announcement regarding the public opinion soliciting committee and also demanded that the authorities immediately set up an interim government.

Ex-Leaders Form Peace Panel

*BK3108130988 Beijing International Service
in Burmese 1130 GMT 31 Aug 88*

[Text] A XINHUA news report says that veteran politicians in Burma have formed a 21-man Committee for Democracy and Peace on 29 August. The honorary chairman of that committee is former Prime Minister U

Nu, while former President U Win Maung is the chairman. Bohmu Aung, former defense minister, will officiate as the vice chairman and Tin U, former defense minister, will be general secretary.

PRC Said Supporting Protestors

*BK2908125088 Hong Kong AFP in English 1247 GMT
29 Aug 88*

[Text] Beijing, Aug 29 (AFP)—China has been expressing discreet approval of Burmese protesters' demands through its press coverage of the unrest, analysts said here Monday.

The official weekly BEIJING REVIEW published Monday quoted observers as saying that "only when the new leaders properly deal with the problems and effectively carry out the economic reform policy and promote democracy in the country will Burma be able to extricate itself from the current difficulties."

There has been no official reaction here to Burma's troubles but the BEIJING REVIEW seemed to reflect an underlying anxiety, saying "the Chinese people hope that the situation in Burma will soon become stable so that the Burmese people can engage in national economic construction and improve their living standards."

China, which has a long border with Burma, cannot remain indifferent to the deteriorating situation there, observers said.

The PEOPLE'S DAILY in its factual accounts of the Burmese situation in the past week has put the emphasis on the protesters' claims, especially a demand for more political parties in place of the sole legal political party which has ruled for the past 26 years.

The NEW CHINA NEWS AGENCY in its long daily dispatches on the situation in Rangoon and other Burmese cities has stressed the size of the antigovernment protests, observers noted.

Beijing's apparent unofficial support for the cause of multiple parties in a neighboring country may be due to a desire to weaken Rangoon's relationship with Moscow, observers said. It could also be designed to respond to domestic concerns, they said, by indicating that despite economic problems in China the mood here remains in favour of economic and political change.

SRV's Nguyen Co Thach Cited on Troop Pullout

*HK3008121288 Beijing RENMIN RIBAO
in Chinese 27 Aug 88 p 6*

[XINHUA report: "Nguyen Co Thach Says Vietnam Will Withdraw Its Troops From Cambodia and Laos Next Year"]

[Text] Bangkok, 26 Aug (XINHUA)—Nguyen Co Thach, Vietnamese Foreign Affairs Minister, who stopped over in Bangkok, publicly announced that next year Vietnam will withdraw its troops from Cambodia and Laos.

A spokesman for the Thai Prime Minister's office told reporters that when meeting with Thai Prime Minister Chatchai Chunhawan this morning, Nguyen Co Thach made the aforesaid remark. He said: Vietnam will withdraw its troops from Cambodia as quickly as possible. "If possible, the Vietnamese forces will withdraw from Laos at the end of this year."

Certain personages here pointed out: By saying Vietnam will withdraw its troops from Cambodia, Nguyen Co Thach repeated his same old words. But it was the first time he had publicly announced that Vietnam will withdraw its troops from Laos.

At the meeting, Chatchai expressed the hope that Indo-chinese nations will return from the battlefields to the marketplace.

Nguyen Co Thach stopped over in Bangkok on 22 August on his way home from Poland. He already left here today.

Pacific Island Nations Delegates Visit Beijing

Meet Wang Zhen

OW2908231588 Beijing XINHUA in English
1445 GMT 29 Aug 88

[Text] Beijing, August 29 (XINHUA)—Chinese Vice President Wang Zhen met with the Pacific Island Nations Conference delegation headed by Ryoichi Sasakawa, honorary chairman of the Japanese Sasakawa Peace Foundation, at the Great Hall of the People here this evening.

China, Japan and the South Pacific island nations all require a peaceful and stable environment for economic development, and this calls for the joint efforts of these countries to achieve lasting peace and stability, Wang said during the meeting following a welcome banquet.

Wang, also honorary president of the China Association for International Friendly Contact (CAIFC), expressed the hope Japan and South Pacific nations will further develop their friendly contacts and economic cooperation with China.

The delegation includes such dignitaries as Fijian Prime Minister Kamisese Mara, Kiribati's President Jeremia Tabai, Micronesian President John Haglelgam, Cook Islands' Prime Minister Pupu Robati, Tuvalu's Prime Minister Tomasi Puapua, Western Samoa's Minister of Finance Tuilaepa Sailele, Raphael Bele, member of Papua New Guinea's Parliament, and Vanuatu's Minister of Education Sethy Regenvanu.

They arrived here this evening after attending the Pacific Island Nations Conference held in Tokyo August 26-28. The conference was organized by the Sasakawa Peace Foundation to discuss the current state and future of the South Pacific region and its relations with Japan.

The delegation's informal visit in China is also organized by the foundation and arranged by CAIFC, an unofficial organization composed of celebrities and social activists.

Received by Li Peng

OW3108002388 Beijing XINHUA in English
1421 GMT 30 Aug 88

[Text] Beijing, August 30 (XINHUA)—Chinese Premier Li Peng met here today with a delegation of leaders of South Pacific island nations and said that China is willing to develop friendly cooperations with their part of the world.

"In a sense, we all live in the same region, the Pacific region, and therefore we are all close and friendly neighbors," Li told the delegation headed by Ryoichi Sasakawa, honorary chairman of the Japanese Sasakawa Peace Foundation.

Li said all nations can contribute to peace and development in the world and that the size of a country does not hamper the growth of friendly, cooperative relations between nations.

Ryoichi Sasakawa, 89, said he believes the world is one family and that despite their small size, the South Pacific island nations have the same voice as big nations at the United Nations.

The delegation included Fijian Prime Minister Kamisese Mara, Kiribati's President Jeremia Tabai, Micronesian President John Haglelgam, Cook Islands' Prime Minister Pupu Robati, Tuvalu's Prime Minister Tomasi Puapua, Western Samoa's Minister of Finance Tuilaepa Sailele, Raphael Bele, member of Papua New Guinea's Parliament, and Vanuatu's Minister of Education Sethy Regenvanu.

They arrived here yesterday evening after attending a Pacific island nations conference in Tokyo organized by the Sasakawa Peace Foundation to discuss the current state and future of the South Pacific region and its relations with Japan.

The delegation's informal visit in China was arranged by the China Association for International Friendly Contact (CAIFC) whose chief advisor, Huang Hua, attended the meeting with Li.

Near East & South Asia

'Superpower Intervention' in Gulf War Viewed

HK3008112088 Beijing JIEFANGJUN BAO
in Chinese 20 Aug 88 p 1

[Article by Zhuang Hanlong (8369 3352 7127): "Peace, the General Trend in the World—Written on the Day When the Iran-Iraq Cease-Fire Comes Into Effect"]

[Text] History will record this solemn day—20 August 1988, because it is a turning point in the 8-year-long Iran-Iraq war and an important beginning for the Iranian and Iraqi people to advance toward peace.

This protracted war started in September 1980 and lasted for 8 whole years. It was not an invasion of a weak nation by imperialists and hegemonists, but a war between two Muslim countries. This war was caused not only by border disputes, but also by religious contradictions and conflicts between the two nations. It caused disintegration and reorganization in the Arab world, brought about turbulences in the Gulf situation, and made the peace-loving people around the world feel uneasy. Today the Iranian and Iraqi people have finally seen the dawn of peace after enduring long nights of war. The people in the rest of the world cannot help feeling overjoyed at this. The Iran-Iraq cease-fire is not something bestowed by the god or an impulsive act by the people in authority. It is an inevitable development in history and is also an outcome of various efforts made in the political, economic, and military fields. It has given people much inspiration.

Development requires peace. We are in the era of peace and development. Facts have proved that development requires a peaceful international environment. Iran and Iraq are developing countries, but the 8-year-long war has caused an economic loss of \$900 billion and left 1 million people dead while wounding another 1.5 million. Before the war, both countries maintained huge foreign exchange earnings from their oil exports and were thus in easy circumstances. Iraq had a foreign exchange reserve of tens of billions of U.S. dollars. But now it has incurred a foreign debt totaling tens of billions of U.S. dollars. Iran has also found itself in a tight economic situation as a result of the war. All of its construction projects have stopped, most of its enterprises are operating under capacity, prices keep rising, and unemployment is serious. According to statistics, \$20,000 was required to annihilate an enemy soldier during World War I. This figure rose to \$200,000 during World War II and to \$2.85 million during the Malvinas [Falklands] war. If a U.S. division takes part in a battle for 1 day only, it needs \$22 million for ammunition alone. This figure is already astonishing, to say nothing of the fact that the Iran-Iraq war lasted for over 2,000 days! A war consumes a large amount of human, financial, and material resources, while causing uneasiness among the people and preventing the relevant countries from carrying out construction. It also destroys cities, communications facilities, and natural resources. A painful experience always remains in the people's minds. Only when the war stops will the people have time to rebuild their country.

The best method for resolving disputes between countries is peace negotiations. Iran and Iraq have always had controversy about sovereignty over the Arab River [Arvand River]. This is an issue left over by history. No results were achieved after 8 long years of killing. As a matter of fact, both sides have now returned to the borderline status before the war in 1980. This satirical fact suggests that the correct method for resolving differences and disputes remaining from history is peaceful negotiations; resorting to military means will not settle any problem. The signing of the Soviet-U.S. Treaty on

Intermediate- and Shorter-Range Missiles, the talks on Soviet troop withdrawal from Afghanistan, the negotiations on Namibia's independence, and the efforts made to stop the war in Angola all explain this point from different angles. "Both sides will get hurt in a fight, both sides will benefit from peace." This is an unbreakable truth!

The intervention by the superpowers is a serious threat to world peace. The Iran-Iraq war was a large-scale war of attrition lasting longer than World War II and registering bigger casualties than those during the U.S. aggressive war against Korea. An important reason was the intervention by the two superpowers. The Soviet Union tried to use the Iran-Iraq war to divert people's attention from its aggression against Afghanistan and to enforce its position in the Gulf. It provided military aid for Iraq while casting amorous glances at Iran. In the meantime, it also sent naval vessels to the Gulf. The United States showed a lot of concern about safety in oil transportation and was afraid of losing its strategic interests in the Gulf because of the war. Therefore the U.S. Government advocated that "all necessary methods should be used to maintain the smoothness of the Strait of Hormuz." In July 1987 the U.S. Government started sending naval vessels to the Gulf to escort oil tankers there. But it has been a year of turmoil in the Gulf since the United States escorted foreign oil tankers there. World public opinion pointed out that the "military intervention by the superpowers aggravated the tense situation in the Gulf." Kissinger said in 1984: "If both sides (Iran and Iraq) lose in the war, this will be advantageous to the West." In fact, this also corresponds to the interests of the Soviet Union, because neither of the two superpowers has lost anything in their "delicate balance of power." Now "hot points" are cooling down and the situation in the Gulf is returning to calm. The United States and the Soviet Union should withdraw their military forces from the Gulf.

The United Nations can make major contributions to peace. Since the 1970's, Third World countries have constituted the majority of the United Nations, and the two superpowers' ability to control the United Nations has greatly weakened. The United Nations has played an increasingly important role in upholding justice and safeguarding peace. It has adopted several resolutions condemning Soviet aggression against Afghanistan and the Vietnamese occupation of Cambodia, thus reflecting the wish of the people throughout the world. The realization of the Iran-Iraq ceasefire also relied on the efforts of the United Nations. It would have been impossible without active mediation from the UN secretary general and the enthusiastic support by the UN member states! Of course, peace will not arrive automatically; people's struggle is required to realize it. All this cannot be separated from the efforts of the United Nations.

Although Iran and Iraq have realized a cease-fire, they still have an arduous path to take. But since the solid ice has been broken and the channel has been opened, there is certainly hope for realizing long-lasting peace.

Hu Yaobang Said Not To Attend Beidaihe Meeting
HK3108084008 Hong Kong CHENG MING in Chinese
No 131, 1 Sep 88 p 13

[Report from the "Reference News" column by Pai Mei (4101 2734): "Hu Yaobang Did Not Attend the Meeting in the Summer Capital"]

[Text] Although Hu Yaobang's former subordinates and those elements of the Youth League origin tried hard to support him so that he could stage a comeback, their efforts were to no avail. Hu has been in low spirits recently. It was reported that he did not attend the Beidaihe meeting, and that he had gone to Yantai.

Zhao Ziyang's 'Setbacks' at Beidaihe Viewed
HK3108093788 Hong Kong CHENG MING in Chinese
No 131, 1 Sep 88

["Notes on the Northern Journey" by Lo Ping (5012 0393): "Zhao Ziyang Suffered Setbacks in the Summer Capital"—first paragraph is CHENG MING introduction]

[Text] His proposal about a "new order" and a radical price reform suffered a pounding. Under a round of fire from Yao Yilin, he left in a huff for the north. He faced the crisis of being isolated. Deng said: I give no one protection. His remark shocked the top echelons.

A Heavy Mist, a High Temperature, and the Reasons Why [subhead]

A heavy mist and a high temperature—the features of the summer season in Beidaihe.

A heavy mist—the degree of things being unclear politically was at its height.

A high temperature—the debate about price reform in the mist was very heated.

High-level discussions and debate about price reform called for a high degree of secrecy. It was feared that there might be a leak about the news, causing social turmoil. This is the reason explaining the existence of the heavy mist and also the reason why relevant reports by the party organ in Hong Kong caused a confused news struggle.

A dispatch by WEN WEI PO of Hong Kong on 20 July said that the Beidaihe conference would be held that day. More than 20 days later, this news (and some other relevant reports by the newspaper) were denounced as being false. The reason was that authoritative sources in Beijing officially denied on 13 August the story about the top leaders of China holding the "Beidaihe Central Work Conference."

What Was the Meeting Held in Beidaihe on 20 July?
[subhead]

In fact, according to what this reporter learned from many sources, there was no "central work conference" held on 20 July, or the widely known "Beidaihe Conference," as reported by WEN WEI PO. But there was indeed an unknown meeting held, with the participation of the members of the Political Bureau, responsible persons of relevant quarters, and experts and scholars. It was also reported that this was called a policy consultation conference.

Price and Wage Reforms and the "New Order" [subhead]

It was said that at the meeting, Zhao Ziyang mentioned the tentative programs for price and wage reforms put forward by relevant organs since June. He stressed the "new order of a commodity economy" put forward by him at the Political Bureau conference on 1 June. The new order of a commodity economy envisioned by Zhao Ziyang is of course basically different from the order of a product economy established in the past. To develop the commodity economy, we must have various laws and regulations, systems, norms for social behavior, ideas or concepts, and so forth to meet the needs of the development of the commodity economy. This is to avoid the appearance of various kinds of chaos, dislocations, imbalances, and other negative phenomena. A total of 10 articles about the "new order" were laid down, including the liberalization of prices, wage reform (brought in line with the rise in commodity prices), economic results of enterprises, honesty of organs, the reform and strengthening of political and ideological work, the tightened control of the party, and so forth.

Zhao Ziyang Is the Head of the Advocates of a Radical Price Reform [subhead]

Zhao Ziyang is the head of the advocates of a radical price reform. He considers that given the principle of a simultaneous upward adjustment in wages, price reform should proceed at a quick, not a slow pace. He suggested that except for minerals and public utilities with prices set by the state, the prices of other everyday articles should be liberalized. The current dual system involving commodity prices should be gradually abolished. Thus we can first quickly bring life and vitality to enterprises and increase production, bringing about a balance in supply and demand. Second, we can lift the state out of the abyss of substantial outlays for subsidies. Third, we can crack down on the behavior of reselling commodities for profit, and other profiteering activities on the part of the public and officials.... Zhao Ziyang assumes that given a 50 or 70 percent increase in commodity prices in 5 years and a 50 to 90 percent increase in wages, the phenomenon of a reduction in the income of average people can be avoided.

Deng Xiaoping, Wan Li, and Others Support Zhao Ziyang [subhead]

Concerning Zhao Ziyang's "new order," Deng Xiaoping once expressed support. Wan Li and others are also active supporters. There are many votes of support in theory circles and press circles. Like Zhao Ziyang, they consider that a short spell of pain is preferable to a long spell. "Let the commodity prices be liberalized first for a few years. We will then see whether this works or not." They say that the longer the price reform problem is left unsolved the more difficult it is to find a solution. With the supply of commodities falling short of demand and especially with the existence of a dual price system, if we do not take the initiative to effect a price reform, the commodity prices will also go up. Even given a small increase at first, involvement in profiteering and the like will also give rise to a large, sharp increase. The result is that at the cost of an increase in commodity prices, a market mechanism is not formed. The price system remains in chaos. Production will suffer. We will end up being forced to carry out price reforms according to the law of value. Then conditions will be worse than ever.

Yao Yilin Leads the "Advocates of a Go-Slow in Reform" [subhead]

Among the members of the Standing Committee of the Political Bureau, there is a clear line of division between those "advocates of a radical reform" and "advocates of a go-slow in reform." There appears the situation of "being diametrically opposed" between Yao Yilin as the head of the "advocates of a go-slow in reform" and Zhao Ziyang as the head of the "advocates of a radical reform." Li Peng leans toward Yao Yilin. Hu Qili is on the side of Zhao Ziyang. Qiao Shi is said to stay in between, leaning toward neither side. Of the "advocates of a go-slow in reform," some people point out that the upward trend in commodity prices would exceed the estimates of the secretary general. Given a 20-plus percent increase in national retail prices over the corresponding period last year, it is feared that in less than a year, the increase in commodity prices will reach 50 percent. The increase in wages can hardly catch up. On the other hand, in the first 7 months of this year, the amount of bank loans in the whole country rose to 76.6 billion yuan, an increase of 51.8 billion yuan over the corresponding period last year. This is too dangerous. As things go on, there will be the crisis of uncontrollable inflation! Given this situation, with a rapid liberalization of prices, there will be a crisis in many fields!

Both Groups Are Deadlocked, Yao Yilin's Criticism of Zhao in Three Fields [subhead]

The "advocates of a radical reform" and the "advocates of a go-slow in reform" both adhered to their own views without yielding the least bit of ground.

At the 20 July meeting, Yao Yilin was not very polite in his criticism of Zhao Ziyang in a speech. The criticism boils down to the following three aspects:

1. In price reform, there has been, for a long period of time, a lack of overall planning. (This means that during his tenure as premier, Zhao Ziyang did not pay attention to the price reform problem and, still less, work out a plan.)
2. As secretary general, Zhao Ziyang has in his work not taken care of the party properly, and has shown great disrespect for the State Council (the State Council with Li Peng taking over as premier) and for Li Peng. The price reform and wage reform programs have not been properly discussed with Li Peng. Zhao Ziyang has also been very slow in subjecting them to a State Council discussion.
3. "The 10 articles about the new order of the commodity economy" put forward many new slogans. But many of them are unrealistic, and some even very wrong.

Yao Yilin Wields a Powerful Weapon, Zhao Ziyang Flushes Crimson [subhead]

Yao Yilin also wielded a powerful weapon—by issuing an investigative report on the nation's 1987 commodity prices, saying that the price rise index for the year was 49 percent. Obviously, Zhao Ziyang instead of Li Peng, who has just taken office, should be held responsible for the evil consequences.

At the meeting, some people took exception to the formulation of a "new order."

It is said that Yao Yilin's heavy bombardment made Zhao Ziyang flush crimson. Zhao vigorously defended his viewpoint and the "new order" but he was in a disadvantageous position.

Deng Suddenly Changes His Tune, Saying That He Will Not Protect Anybody. His Remark Makes a Great Impact on the Highest Leading Bodies [subhead]

In the course of the heated debate between the two factions, Deng Xiaoping stood aloof. When listening to reports, he also tried to look even-tempered and good-humored. At first he said: "You say everyday that the situation is grim. Can it be grimmer than the counter-campaign against encirclement and suppression?" Later, he no longer uttered the brave words about "passing the dangerous barrier of commodity prices." What was even more startling was that Deng Xiaoping departed from his normal behavior by saying: "I shall not protect anybody and whoever fails to give a good account of himself should go."

Like a thunderstorm, his remark made a great impact on the highest leading bodies.

After the Thunderstorm Was Over, Zhao Ziyang Left for the North With a Flick of His Sleeve [subhead]

Later, the five members of the Standing Committee of the Political Bureau "scattered in all directions." Zhao Ziyang and Hu Qili left Beidaihe in the last 10 days of July for Heilongjiang in the north to "inspect" work in Mudanjiang and Harbin. When talking to reporters about Zhao's whereabouts, an important official in Beijing described him as "having left with a flick of his sleeve." On 26 July Zhao openly talked in Mudanjiang about the need to "quicken the pace of reform," including the lifting of controls over prices, and called on cadres to fight in the vanguard in the campaign to establish a new order of commodity economy. Zhao also gave encouraging words about the city's "experimental district" carrying out economic reform.

Five Standing Committee Members Go in Three Directions, Experts Hold an Informal Discussion Meeting [subhead]

Qiao Shi, as head of the Central Discipline Inspection Commission, also went to Changchun for a holiday. Only Li Peng and Yao Yilin, the two important officials in Chen Yuns' good graces, remained to deal with the situation at Beidaihe.

At this time, the main topic for discussion for the experts and academics attending the informal discussion meeting and the advisory meeting, and attending the high-level meeting as observers at Beidaihe, was the preliminary plan for wage reform. From 5 to 9 August the plan was discussed at the executive meeting of the State Council.

Another Debate at the Political Bureau Meeting [subhead]

After views from various quarters were solicited and after the preliminary plan was discussed and revised by experts, academics, and relevant responsible persons of the State Council, the plan was eventually placed on the conference table of the 10th Plenary Session of the Political Bureau of the CPC Central Committee held from 15 to 17 August.

From the length of the meeting and the fact that the "Preliminary Plan on Price and Wage Reform" was finally "approved in principle" we can imagine that the meeting did not go smoothly.

A Combination of Zhao Ziyang's and Yao Yilin's Views [subhead]

The general direction of the price reform, as defined by the meeting, was as follows: The prices of a small number of important commodities and labor services are to be administered by the state and price controls over most commodities are to be lifted and regulated by the market mechanism to develop a mechanism from the price

changes and to gradually achieve the requirement of "the state regulating and controlling the market and the market guiding enterprises" can be gradually achieved. This is basically an approval of Zhao Ziyang's view. However, the meeting has principally derived its views on price reform from Yao Yilin and company. The meeting holds that the objective of price reform in the next 5 years is to solve the price questions which have a serious effect on economic development and market growth and which are glaringly irrational. This is definitely the view of the "gradual reform faction." With regard to the wage reform, the meeting holds that it is necessary to raise wages in the course of price reform so that the living standards of workers and office staff will not drop.

Indifference Toward Zhao Ziyang's "New Order" [subhead]

Basing itself on the view of Yao Yilin's faction, the Political Bureau meeting's reaction toward Zhao Ziyang's "new order" was far from warm. Consequently, when pointing out the tasks to be grasped in price reform, the meeting has grudgingly incorporated into the plan a few clauses on the "new order," some of which had been revised.

Taken as a whole, the "preliminary plan" is nothing more than a broad outline. It will probably be finally decided at the 3d Plenary Session of the 13th CPC Central Committee held after the central work meeting in Beijing. Both meetings are to be held in September. It is believed that they are to be both a great decisive battle between the "radial reform faction" and the "gradual reform faction" and a big test of Zhao Ziyang's position.

The Three Tactics Used by the Conservatives To Make Zhao Ziyang a Mere Figurehead [subhead]

Among the highest leading bodies in Beijing there are several rumors about Zhao Ziyang's position.

Basing themselves on Deng Xiaoping's remarks "I shall not protect anybody and whoever fails to give a good account of himself should go," some people guess that Zhao's downfall will be earlier than previously expected. Apart from that, there is a piece of news to the effect that the conservatives have defined three tactics in dealing with Zhao Ziyang:

1. Let Zhao Ziyang continue to be first vice chairman of the Military Commission and retain the post of general secretary;
2. Future economic work will be grasped by Yao Yilin and Li Peng; and
3. Party affairs will be principally administered by Qiao Shi.

It is said that if Deng Xiaoping agrees, the three tactics will become a reality.

This practice is actually aimed at making Zhao a mere figurehead, placing him in a position of an obviously transitional nature.

The Fate of "Whoever Fails To Give a Good Account of Himself Should Go" Still Poses a Threat to Zhao [subhead]

The current situation is indeed unfavorable to Zhao. Apart from the intensified offensives launched, and steady pressure exercised, by the conservative forces and the "gradual reform faction," the ordinary people do not give Zhao their support because they fail to understand the practices of Zhao Ziyang's "drastic reform faction." More people have shown their dissatisfaction and opposition. Therefore, it is not impossible that the fate of "whoever fails to give a good account of himself should go" will fall on his head. If the student movement rises again, Deng Xiaoping, who is oversensitive about the mass movement, will decide the question of "who should go" in a minute. Some people mock this by saying that, instead of the students, it is often the leaders that are making trouble.

Without Hu Yaobang Serving as a Buffer Zone, Zhao's Position Is Even More Dangerous [subhead]

There is another worrisome situation. When Zhao Ziyang was subject to pressure in the past, there was Hu Yaobang serving as a buffer zone. Now that Hu is gone, Zhao will have to meet it face to face should something happen. With the lack of lubricating oil, this is very dangerous.

The temperature of the political climate from Beidaihe to Beijing has not dropped. In September the mercury column of the barometer will probably rise still higher.

Seventh NPC Standing Committee Meeting Continues

Security Minister Gives Report

OW3008212988 Beijing XINHUA Domestic Service
in Chinese 1325 GMT 30 Aug 88

[Text] Beijing, 30 Aug (XINHUA)—Wang Fang, state councillor and public security minister, today delivered a report to the NPC Standing Committee on public security work and present public order.

Speaking about the main aspects of public security work in the past few years, Wang Fang said: Following the campaign to sternly crack down on crimes, public security departments, focusing on the central tasks of reform, opening up, and socialist modernization, have persistently cracked down on crimes on one hand and paid

attention to security administration and crime prevention on the other, thus ensuring basically stable public security and order. They have done the following major things:

—They have cracked down hard on serious crimes. Over the past 2 years, public security departments around the country have identified prominent public security problems and key localities plagued by these problems and actively organized diverse struggles to constantly and sternly crack down on serious crimes. At the same time, they have stepped up investigations and worked hard to raise the rate of cases solved. In view of the increasing penetration of international crimes in recent years, we have, through Interpol, strengthened cooperation with police departments of many countries and regions in cracking down on international crimes and have jointly cracked or provided assistance in investigating a number of smuggling and narcotics trafficking cases. In 1986, public security departments across the nation filed 547,000 criminal cases, of which more than 430,000 cases were solved and some 480,000 offenders involved were arrested. In 1987, more than 570,000 criminal cases were filed, of which more than 460,000 were solved and some 530,000 offenders involved were arrested. Public security departments in various localities worked together with procuratorial organs and courts to sternly punish according to law a number of offenders involved in serious crimes. —They have strengthened public security administration and crime prevention. Last year, public security departments across the nation investigated and handled according to law 1.12 million public security violations and meted out punishment to 2.04 million persons. To effectively safeguard public order, public security departments in many large and medium cities have, by transferring part of their public security and armed police forces and securing the support and assistance of other government organs, organized special teams for security patrols or joint crime prevention. Many localities have set up security service companies. Some large mining and industrial enterprises have reinforced their security forces and built up their own guards and people's economic police. Police stations have been set up at a handful of key institutes of higher learning and many schools have instituted campus guards. Urban residents have been organized to guard their neighborhoods, compounds, or buildings and to safeguard public security and prevent crimes. Implementation of these measures has strengthened society's crime prevention mechanism and played a positive role in preventing, uncovering, controlling, and cracking down on crimes.

—They have properly handled disturbances created by a handful of troublemakers. Over the past year, public security departments at all levels have closely cooperated with relevant departments in preventing and putting down disturbances created by a handful of people who have disrupted public order. Public security departments have persistently adhered to the principle of stressing education and persuasion and have done their best to

alleviate conflicts and ease the situation. Meanwhile, they have also worked hard to maintain good public order and traffic order.

—They have strengthened the legal system concerning public security. Over the years, the Ministry of Public Security has drafted or participated in drafting a series of laws and regulations concerning public security and implemented them after approval by the NPC Standing Committee or State Council. Many more laws and regulations concerning public security are being drafted. The ministry has also drafted many operational procedures concerning public security work and conducted a comprehensive review of all the public security laws and regulations adopted since the republic's founding. This year, the ministry has further reviewed public security regulations concerning foreign nationals that are in force in coastal regions, with a view to creating a better public order for the implementation of the economic development strategy for coastal regions and to further promoting opening to the outside world. In the past 2 years, public security departments at all levels have universally organized cadres and policemen to acquire more knowledge about the law and have markedly improved their execution of the law.

—The public security forces have been strengthened.

The public security departments at all levels have firmly adhered to the principle of imposing high standards on the police forces, seriously handled various cases involving violation of the law and discipline by police officers and other men, and brought about improvement in their discipline and work style. The number of cases involving a violation of law and discipline by police officers and other men has decreased in recent years. In the course of combatting crimes, maintaining public order, and doing rescue and relief work, the broad masses of policemen and the commanders and fighters of the Armed Police Force have persistently waged valiant and arduous struggles and worked harder than ever before. Many comrades have shed blood and laid down their lives in order to protect the interests of the nation and the people. In 1987, 168 police officers and men died, and 2,197 were injured in the line of duty. Since 1983, 81 police officers and men won the title of model police first and second class, while more than 12,000 collective police units and over 37,000 police officers and men won citations and prizes.

—The public security work has been improved. The majority of public security departments below the county level, particularly police substations, are carrying out reforms in delegating power to the lower level, improving work methods and the duty system, and implementing the system of personal responsibility and the job assignment system on a trial basis. The public security departments at all levels have done a great deal in opening wider to the general public in the course of doing public security work. In this way, they have

strengthened ties between the public security departments and the people of all walks of life in the society and improved the relations between the police and the people.

He said: There still remain many shortcomings and deficiencies in our work. The major ones are: 1) We have not done enough to investigate, analyze, and study the new conditions and the new problems which have cropped up in the course of doing public security work under a new situation; and we have not taken effective measures to solve such problems. 2) Due to a personnel shortage, lack of funds, inadequate equipment, insufficient training, poor personnel quality, and other reasons, the combat effectiveness of the police forces has not been brought into full play. 3) There still remain some serious problems among the police officers and men in terms of discipline and work style. Such problems must be promptly solved. The phenomenon of police officers and men violating law and discipline still exists.

Regarding the current situation in maintaining social order throughout the country, Wang Fang said that in general, the social order nationwide is basically stable. It has been reported that many countries in the world have encountered the problem of the rapidly rising crime rate when they are undergoing an economic take-off. As compared with these countries, China's crime rate is fairly low, especially when we take China's population into consideration. Public order in most cities and rural areas is good. The security of various major political, economic, cultural and sports activities is ensured. However, due to various subjective and objective reasons, the situation regarding our public order remains rigorous. We must not lower our guard.

The major problems mentioned by Wang Fang in his report are as follows:

—Criminal cases, especially major ones, are on the increase. According to statistics, the public security departments in the whole country have filed more than 500,000 criminal cases each year for the past several years. The number of major criminal cases filed during the first 6 months of this year went up by 34.8 percent as compared with that in the same period of last year. Right now, most of the offenses on the increase involve stealing. Cases involving stealing account for 70 to 80 percent of the general criminal cases, while they account for over 50 percent of the major criminal cases. There is a marked increase in major cases of killing and injuring others, swindling, committing robbery and causing explosions. Most of the cases of killing and injuring people and using explosives are aimed at killing people for their money or are caused by the intensification of civil disputes. There have also been some cases of killing factory directors and managers in retaliation and of ruthlessly injuring or killing innocent people. Cases involving international drug dealers who traffic in narcotics through China are also on the increase. Some of the cases have involved a large amount of narcotics. As for the offenders in various

criminal cases, there are some notable points: 1) A large percentage of the offenders are young people. 2) The number of cases involving criminals committing crimes in more than one locality is on the increase.

Gambling, prostitution, publication of obscene articles, and other ugly social phenomena are difficult to stop. Gambling has become considerably more prevalent in various localities in recent years. More and more people have participated in gambling, and the bets are getting larger and larger. Some of the bets are in tens of thousands of yuan. Many cadres take the lead and even use government funds in gambling. Cases of stealing, committing robbery and killing people because of gambling have been frequently reported. Several years ago, prostitution was only registered in coastal cities open to the outside world. Now such cases are also being reported in some inland cities. Pornographic videotapes and other obscene articles have continued to spread, although they have been repeatedly caught and confiscated. Such phenomena merit our full attention.

—Cases of demonstrating, petitioning, fighting with weapons between feuding groups, and stirring up mass actions to commit robbery are on the increase. The current reform program inevitably affects the immediate interests of some people. Some of the people have strongly complained about various problems concerning commodity prices, wages, and housing. Contradictions and factors of instability are on the increase in society. In addition, there is always a handful of people at home and abroad with ulterior motives on seizing the opportunity to spread rumors, sow dissension and incite one against the other. Incidents of staging demonstrations and filing petitions by some staff members and workers in some localities and units have already been reported, affecting social order and office operations. From now on, incidents affecting social stability and public order may continue to take place. Incidents involving fights with weapons and mass actions to commit robbery have also continued to take place in rural areas. All these problems will affect social stability if they are not handled properly.

Fire and traffic accidents are fairly frequent, causing serious losses. During the first 6 months of this year, 16,006 cases of fire hazards were reported in the country, killing 1,264 people, injuring 1,675 people and causing losses of 148 million yuan. A total of 126,697 traffic accidents were registered on urban and rural highways throughout the country during the first 6 months of this year, killing 24,276 people, injuring 78,537 people and causing direct economic losses of 132 million yuan.

He pointed out: The reasons for these major problems which affect public order at present are varied. Fundamentally speaking, the issue of social order is the comprehensive reflection of all negative factors in social life. It is restricted and influenced by various political, economic, cultural, educational, moral and legal factors in

society as well as the international environment. During the initial stage of socialism, there still exist complicated historical, social, and class origins for crimes in our society.

Dwelling on the trend of development in social order for some time to come, Wang Fang said: China has already scored tremendous achievements in implementing its reform and open policy, and the modernization program is being rapidly developed. This constitutes a fundamental guarantee for the stabilization of social order. However, during the crucial period to deepen reform, it is still impossible to basically solve, within a short period, these aforementioned factors and problems which will affect our social order. On the contrary, some of them will even grow in strength. All this is related to the "labor pains" of the reform program. Therefore, for a certain period, there will possibly be more problems concerning public order; the number of criminal cases filed may not drop promptly; and the entire situation in public order will remain rigorous in the next few years. In view of this situation in public order, the public security departments must exert strenuous efforts and work hard to control crimes involving the use of reckless violence as well as cases involving trouble making hooligans who disturb the public order and directly injure the sense of security of the masses. They must overcome the trend of the rising crime rate. At the same time, they must strictly maintain public order and strengthen measures for crime prevention in order to ensure sustained stability in social order.

On maintaining public security for the future, Wang Fang called on all departments concerned to concentrate their efforts in fulfilling the following tasks:

—They must continue to adhere to the policy of severely and promptly punishing criminals according to law, and vigorously wage specific struggles to severely strike at serious criminal activities. In view of the current situation with the number of serious crimes on the increase, the public security departments must continue to firmly strike at various serious crimes. The targets are serious crimes involving the use of reckless violence and gang crimes as well as trouble made by hooligans, robberies, rape, major theft and other crimes that directly menace the security of the masses and harm economic construction.

—They must continue to explore new ways to uphold the mass line under the new situation, and strengthen public order and security measures. We must help basic-level public security units to do their work, and ensure that they have enough manpower to handle their jobs. We must also help them improve their equipment, and do a better job in maintaining public order, directing traffic, and fighting fires.

—They must continue to strengthen the legal system with regard to public security. The major task in the future in strengthening the legal system with regard to

public security is to pay full attention to drafting, formulating, revising and improving laws, rules, and regulations concerning public security. There are still some laws, rules, and regulations concerning public security and the organizational development of basic level public security units that require revision and improvement. The public security departments at all levels must organize police officers and men to earnestly study law, strictly enforce law, and ensure that laws are observed, that their enforcement is strict, and that law breakers are dealt with. At the same time, they must strengthen supervision over law enforcement and continuously help police officers and men become more competent in law enforcement.

—They must continue to strengthen the police force, and regard the practice of remaining honest and upright in performing government and police duties as a major task. In handling various cases in law breaking and discipline violation, we must earnestly carry out investigations and seriously deal with such cases. We must not tolerate evildoing. Still less should we harbor evildoers and cover up their evil deeds. At the same time, we should continue to open even wider to the general public in doing public security work, solicit views from people of all walks of life on public security matters and social order, continuously improve our work and try to attain a comprehensive understanding, and win support from all sectors of society.

—We must quicken our pace in reforming our system and work in public security. In order to keep pace with the current situation and improve the functions of public security departments in their overall operations, we must reform the existing public security system; gradually set up a unified and highly efficient system of people's police which is compatible with the nature and requirements of doing public security work; and implement a unified rank system among the police officers and men and in the Armed Police Force.

Urged To Ratify Nuclear Protocols

OW3108112888 Beijing XINHUA Domestic Service
in Chinese 1132 GMT 30 Aug 88

[Text] Beijing, 30 Aug (XINHUA)—Zhu Qizhen, vice minister of foreign affairs, said at the NPC Standing Committee session yesterday that China should ratify the second and third protocols of the South Pacific Nuclear-Free Zone Treaty.

He said: The treaty, which was concluded by the heads of government of the "South Pacific Forum" countries in August 1985, became effective on 11 December 1986. Thus far Australia, New Zealand, and seven other countries of the 13 "South Pacific Forum" countries have signed and ratified this treaty; two countries have signed but not yet ratified it; and Vanuatu and Tonga have not yet signed the treaty.

The nuclear-free zone delimited by the treaty covers an area bordered by Nauru and the Kiribati Special Economic Zone in the north, the Antarctic Treaty Zone in the south, the Latin American Nuclear-Free Zone in the east, and the west coast of Australia and some Australian islands in the Indian Ocean in the west.

Zhu Qizhen said: The 16-article treaty mainly provides that signatories of the treaty have to undertake the obligations of not manufacturing, producing, possessing, seeking, or accepting any nuclear explosive devices; not deploying any nuclear explosive devices in their territories; and not dumping or allowing any other countries to dump radioactive wastes and materials in the waters of the zone.

He said: The treaty has three additional protocols which are open for the signatures of the five nuclear countries, namely China, France, Britain, the Soviet Union, and the United States. The first protocol urges the United States, Britain, and France—three countries which have colonies or possessions in the zone—to commit themselves to abiding by the provisions of the treaty in their territories; the second protocol urges China, France, Britain, the Soviet Union and the United States not to undermine the treaty and not to use, or threaten to use, nuclear weapons against the zone; and the third protocol urges the five nuclear countries not to test nuclear weapons in the zone.

Turning to other nuclear countries' attitudes toward the treaty and the protocols, Zhu Qizhen said: After signing the second and third protocols of the treaty with some reservations in December 1986, the USSR ratified the two protocols in January 1988. The United States, Britain, and France have yet to sign the protocols.

Zhu Qizhen continued: China signed the second and third protocols of the treaty on 10 February 1987 on the ground that China always respects non-nuclear countries and supports their establishment of nuclear-free zones according to their actual situation and on the basis of independent consultations and voluntary participation; and that China had long ago publicly declared that it would not use, or threaten to use, nuclear weapons against non-nuclear countries and nuclear-free zones.

Zhu Qizhen said: China signed the two protocols with these reservations: 1) The Chinese Government's signing of the two protocols does not mean that China has changed its commonly known principled stand toward the Treaty of Nonproliferation of Nuclear Weapons and the Treaty of Partial Prohibition of Nuclear Tests. 2) China will fulfil the obligations under the second and third protocols of the South Pacific Nuclear-Free Zone Treaty, but if other nuclear countries and signatories of the treaty take any actions which seriously violate the treaty and its additional protocols, thus altering the state

of the nuclear-free zone and endangering China's security and interests, the Chinese government reserves the right to reconsider the obligations it has committed to undertake.

Zhu Qizhen said: China's stand of supporting the establishment of the South Pacific Nuclear-Free Zone Treaty and signing the two protocols receives favorable comments from countries in the zone and good international response. Considering these factors and China's good relations with countries in the zone, China's ratification of the second and third protocols of the treaty is appropriate and essential. It is proposed that the NPC Standing Committee should examine and ratify the protocols and at the same time reiterate the statement made by the Chinese Government representative while signing the two protocols.

Discusses UN Convention on Torture

OW3108082688 Beijing XINHUA Domestic Service
in Chinese 1143 GMT 30 Aug 88

[Text] Beijing, 30 Aug (XINHUA)—Vice Foreign Minister Zhu Qizhen explained to the NPC Standing Committee 29 August about a proposal that China approve an international convention against torture and other cruel, inhuman, or degrading treatment or punishment.

He said: For years, the United Nations has endeavored, through various channels, to protect every individual against torture and other cruel, inhuman, or degrading treatment or punishment. As early as 1975, the UN General Assembly adopted a declaration protecting everyone against torture or other cruel, inhuman, or degrading treatment or punishment. In December 1977, the UN General Assembly adopted a resolution, deciding to draft, on the basis of the declaration, an international convention against torture and other cruel, inhuman, and degrading treatment or punishment. Through efforts over the years, the convention was adopted by the United Nations on 10 December 1984 and put into effect 26 June 1987.

He said: The convention consists of 33 articles in three parts. China has always opposed torture and corporal punishment, and strictly prohibited extortion of confession by torture and physical abuse. China, one of the drafters, has signed the convention, which is consistent in its basic spirit and contents with the Chinese Constitution, criminal law, criminal procedural law, and other legal codes and practicing policies. Under the situation of reform, opening, and economic invigoration, the approval of the convention will be conducive to China's efforts to promote socialist democracy, build up its legal system, and play a greater role in international affairs. Therefore, it is proposed that the NPC Standing Committee approve the convention. After approving the convention, we will be required to submit reports on enforcement of the convention in China as we have been

required to do regarding similar conventions signed or participated by China. A relevant department under the Foreign Ministry will undertake the task of preparing the reports.

He said: A few articles of the convention do not conform to our interests and stand. Therefore, China should approve the convention with some reservations on Article 20 and Section One of Article 30.

He said: Article 20 deals with the provisions on secret investigations by the "Committee Against Torture" to examine enforcement of the convention in the signatories. Provisions in Section One of Article 30 concern interpretation and application of the convention and mediation of disputes, stating that any party may bring a dispute to the International Court if no agreement on the dispute is reached by the Mediation Court. These provisions do not conform to China's stand and practice. China signed, with reservations, international treaties with similar articles. Therefore, it should approve the convention with reservations.

Land Management Law Explained

OW3008134388 Beijing XINHUA Domestic Service
in Chinese 1407 GMT 29 Aug 88

[Text] Beijing, 29 Aug (XINHUA)—Wang Xianjin, director of the State Land Administration, explained a draft revision of the Land Administration Law to the NPC Standing Committee today.

He said: The revision of the PRC Land Administration Law has been drafted on the basis of the revision of the PRC Constitution and in light of the problems encountered in implementing the Land Administration Law. The draft is not a comprehensive revision of the entire law. Rather, it tries to revise only certain provisions. The draft essentially touches on four aspects. First, it revises the land utilization system. Second, it tightens the procedures of screening and approving the use of land for the construction of public installations and welfare facilities in townships (towns) and villages. Third, it specifies the legal responsibility for actions which result in the destruction of cultivated land. Fourth, it calls for stern actions in dealing with the illegal construction of residences in urban and rural areas.

Regarding the revision of the land utilization system, he said: The first, third, and sixth parts of the draft revision are based on the revision of the PRC Constitution. The awarding of the right to use land at a price according to law and the sale and transfer of that right are important elements of the reform of China's land utilization system. Practice shows that awarding the right to use land at a price according to law and the sale and transfer of that right are conducive to strengthening land administration by the state, to improving resource distribution, to rational and economical land utilization, and to the

development of social productive forces. To deepen our structural reform, it is necessary to put in legal form the principles underlining our revised land utilization system.

Touching on the question of screening and approving the use of land for the construction of public installations and welfare facilities in townships (towns) and villages, Wang Xianjin said: Article 40 of the present Land Administration Law fails to provide for rigorous control of the power to screen and approve the use of land for the construction of public installations and welfare facilities in townships (towns) and villages; this is not conducive to the strengthening of land administration and the protection of cultivated land. It is necessary to stipulate stricter control of this power. Thus, the draft revises the article, stipulating that application for the use of land for the construction of public installations and welfare facilities in townships (towns) and villages must be screened by the people's government at the township level and submitted to the people's government at and above the county level for approval in accordance with the jurisdiction defined by the province, autonomous region, or municipality.

Explaining legal responsibility for the destruction of cultivated land, Wang Xianjin pointed out: Destruction of cultivated land refers to unauthorized dirt and sand collection, quarrying, mining, and gold digging which damage the farming conditions of cultivated land and cause the loss of its productive capacity. While the current Land Administration Law prohibits actions damaging to cultivated land, it contains no clear stipulations concerning the legal responsibility for the destruction of cultivated land and especially stipulations concerning appropriate criminal penalties for offenses which destroy cultivated land with serious consequences. Proceeding from China's reality of having a large population but limited cultivated land, the fourth part of the draft specifically stipulates: Criminal responsibility shall be affixed for actions which seriously destroy cultivated land and constitute criminal offenses.

Touching on the handling of illegal use of land to build residences by urban and rural people, he emphatically pointed out: The phenomenon of urban and rural people illegally using land to build residences is rather serious, and this is a major reason why our country's land resources are dwindling. Some people continue construction even after the land administrative department issues, in accordance with the law, administrative rulings ordering them to dismantle the residential buildings under construction or to return the illegally occupied land. When the case is brought to court and an order for forced dismantling is issued, the building may be near completion, making it difficult to enforce the court order. As a result, "fines" are often imposed in place of carrying out the forced dismantling, causing serious damage to the sanctity of the law. In light of this, the fifth part of the draft makes the following supplementary stipulation to Article 51 of the Land Administration

Law: "An individual building a residence who objects to the administrative ruling ordering him to dismantle the building within a prescribed time or to return the illegally occupied land shall stop the construction and maintain the original state of the building before he takes the case to court. The agency which issues the administrative order has the power to stop the construction if it continues after the order is issued." In addition, the draft also provides for the handling of those parties who refuse to comply with an order or who obstruct the enforcement of an order by land administrative personnel.

State Council Discusses Prices, Marketing
OW3008152188 Beijing XINHUA in English
1447 GMT 30 Aug 88

[Text] Beijing, August 30 (XINHUA)—The Chinese State Council will take effective measures to ensure a much lower rate of price increases of retail goods next year.

At a meeting today chaired by Premier Li Peng, the council unanimously approved steps to improve price administration and achieve greater stability in the market.

While the Political Bureau of the Chinese Communist Party Central Committee has set the removal of price controls on most commodities in favor of market regulation as a target to be achieved within five years or more, the council said the plan is still tentative and under revision.

Next year, as the first year for the Five-Year Plan, will see no radical steps being taken in the price reform, the council decided.

Governments at various levels should explain this in detail to the masses, the council urged.

The council pledged not to initiate further price increases for the remainder of the year and said those leading members responsible for indiscriminate price increases should be subject to disciplinary punishment.

In order to stabilize the market and safeguard citizens' interests, the council said the People's Bank of China will ensure that the interest rate for savings deposited for terms of three years or more would not fall below and may even be slightly higher than the rate of the price increases.

Meanwhile, investments in fixed assets should be decreased, construction of non-productive public buildings including hotels should be suspended, and restrictions placed on the purchasing power of social groups, the council decided.

In addition, this year's volume of credit and issuance of currency should be controlled within the limits set by the state.

The council said efforts should be made to increase the output of industrial consumer goods to ensure the supply of everyday necessities, especially meat, eggs and vegetables in urban areas.

The council also urged localities to ensure state purchase of grain, cotton and edible oil.

Premier Li asked governments at all levels to shoulder the responsibility and take effective measures to check price hikes.

"Macro-control by the central government should be strengthened and improved during the reform, and orders and prohibitions should be strictly enforced," he said.

The premier stressed the establishment of a new order of socialist commodity economy with necessary laws and regulations, calling it an important task at present and in future.

He said this year's unusual mixture of droughts and floods may cause a decrease in grain output and asked localities to ensure good management of autumn crops so as to minimize the effect of natural disasters.

Attending today's meeting were Vice Premiers Yao Yilin, Tian Jiyun, Wu Xueqian, State Councillors Li Tieying, Wang Bingqian, Song Jian, Wang Fang, Li Guixian, Chen Xitong, and leaders from various ministries and commissions under the State Council.

Li Peng Stresses Market Stability

OW3108052988 Beijing XINHUA Domestic Service
in Chinese 1309 GMT 30 Aug 88

[Text] Beijing, 30 Aug (XINHUA)—The State Council held its 20th executive meeting this morning presided over by Premier Li Peng. The meeting discussed and analyzed the current market and price situation and made several important decisions to stabilize the market and prices.

1. "Removal of price controls on most commodities in favor of market regulation, except for a few major commodity prices and labor service fees under state control," which has been set in the tentative plan for price and wage reforms adopted in principle at the 10th meeting of the Political Bureau of the CPC Central Committee, is a long-range target to be achieved in 5 years or more. The plan is still tentative and under revision. Next year, as the first year of the 5-Year Reform Plan, will see no radical steps being taken in price reform. The State Council will take effective measures to ensure that retail commodity price rises next year will be markedly fewer. Local governments at various levels should explain this in detail to the masses.

2. All localities and departments must continue to implement the State Council's decision not to initiate further price increases for the remainder of the year. Local governments should not wantonly raise prices and fees set by relevant departments of the State Council, nor increase, without approval, prices and fees under the supervision of local governments. Leading members of enterprises and units responsible for indiscriminate price increases should be subject to disciplinary punishment.

3. In order to stabilize the market and finance and safeguard citizens' interests, the People's Bank of China has been instructed to take measures to ensure that the interest rate for savings deposited for terms of 3 years or more will not fall below and may even be slightly higher than the rate of price increases. Specific measures for opening this new type savings account will be worked out and published by the People's Bank soon.

4. In continuing to implement the principle of "stabilizing the economy and strengthening reform," all local governments and departments should resolutely cut down the investment scale on fixed assets; suspend the construction of public buildings including hotels; restrict institutional purchases; and step up efforts to overhaul companies and nonbanking financial institutions. They should also control this year's volume of credit and currency issue within the limits set by the state. In line with the State Council's instructions, banks and other financial institutions should stop issuing loans for non-productive construction projects while strictly examining loan applications for productive construction projects.

5. It is necessary to ensure state procurement of grain, cotton, and edible oil according to contracts. In areas where there have been bumper harvests, efforts should be made to purchase additional grain at negotiated prices. Allocation and transfer of grain and edible oil at negotiated prices to provinces, municipalities, and autonomous regions should be organized between the Commerce Ministry and the province, municipality, or autonomous region. No locality should be allowed to dispatch personnel to purchase grain from outside on their own. Cotton should be purchased and managed by supply and marketing cooperatives under unified arrangements according to State Council instructions, and control over the cotton market should not be lifted. Violations of these provisions should be severely punished.

6. Local governments at all levels should exercise strict supervision over the market and ensure market supply. Efforts should be made to increase the output of industrial consumer goods to ensure the supply of everyday necessities, especially meat, eggs, vegetables, and other nonstaple food in urban areas. It is necessary to check on market order and firmly crack down on unauthorized price increases, hoarding and cornering of goods, exploitation by middlemen, and other speculative activities.

Premier Li Peng made an important speech at the meeting. He said: The State Council pledged, when it decided to decontrol and readjust the prices of some famous brand liquor, not to initiate further price increases for the remainder of the year. Hence, all local governments must shoulder the responsibility and take effective measures, both economic and administrative, to check price hikes. At the same time, the masses and the mass media are encouraged to supervise market prices. Macrocontrol by the central government should be strengthened and improved during the reform, and orders and prohibitions should be strictly enforced. The good tradition of unified action across the nation to implement the central government's orders should be continued. Currently, some departments, localities, and units are not implementing the orders and prohibitions, and they are considering only their partial or local interests at the expense of the state and the people. This situation must not be tolerated. Li Peng stressed: To maintain the high standards of the government and to gradually establish a new order of socialist commodity economy with necessary laws and regulations are important tasks at present and for some time to come.

Li Peng said: This year's unusual mixture of droughts and floods may cause a decrease in grain output which, although not a big one, merit our keen attention. It is necessary to vigorously strengthen the field management of autumn harvest crops, ensuring a good harvest in areas free of natural disasters while minimizing the damage in disaster areas. He added: As vegetable production and supply is of extreme importance to the residents of major cities, all local governments must

stabilize the market and increase supply by strengthening leadership over the production, purchase, marketing, and storage of Chinese cabbages and other autumn harvest vegetables.

The State Council's executive meeting also further examined and reviewed the implementation of such measures—to be taken or already being taken by the State Council to improve the economic climate and stabilize and develop the economy—as cutting down the scale of capital construction and nonproductive projects including hotels, restricting institutional purchases, ensuring clean government, opposing waste and extravagance, and checking on and overhauling companies.

Attending today's meeting were Vice Premiers Yao Yilin, Tian Jiyun, and Wu Xueqian; State Councillors Li Tieying, Wang Bingqian, Song Jian, Wang Fang, Li Guixian, and Chen Xitong; and leaders from various ministries and commissions under the State Council.

Namelist of 'New' Principal Regional Leaders
OW3008054688 Beijing XINHUA Domestic Service
in Chinese 2315 GMT 29 Aug 88

[Text] Beijing, 30 Aug (XINHUA)—According to briefings by relevant departments, with the newly convened Hainan Provincial People's Congress, all provinces, municipalities, and autonomous regions have completed election of new People's Congresses and CPPCC Committees, and some provinces, municipalities, and autonomous regions have elected new party secretaries through party congresses. Namelist of principal leaders of all localities follows:

Province, Municipality, or Autonomous Region	Party Secretary	People's Congress Standing Committee Chairman	Governor, Mayor, or Chairman	CPPCC Committee Chairman
Beijing	Li Ximing	Zhao Pengfei (Man Nationality)	Chen Xitong	Bai Jiefu
Tianjin	Li Ruihuan	Wu Zhen	Li Ruihuan	Tan Shaowen
Hebei	Xing Chongzhi	Guo Zhi	Yue Qifeng	Li Wenshan
Shanxi	Li Ligong	Wang Tingdong	Wang Senhao	Li Xiuren
Inner Mongolia	Wang Qun	Batu Bagen (Mongolian Nationality)	Buhe Shi (Mongolian Nationality)	Shengrong
Liaoning	Quan Shuren	Wang Guangzhong	Li Changchun	Xu Shaofu
Jilin	He Zhukang	Huo Mingguang	He Zhukang	Liu Yunzhao
Heilongjiang	Sun Weiben	Sun Weiben	Hou Jie	Wang Zhao
Shanghai	Jiang Zemin	Ye Gongqi	Zhu Rongji	Xie Xide (female)
Jiangsu	Han Peixin	Han Peixin	Gu Xiulian (female)	Qian Zhonghan
Zhejiang	Xue Ju	Chen Anyu	Shen Zulun	Shang Jingcai
Anhui	Lu Rongjing			
Wang Guangyu	Lu Rongjing	Shi Junjie		
Fujian	Chen Guangyi	Cheng Xu	Wang Zhaoguo	Chen Guangyi
Jiangxi	Mao Zhiyong	Xu Qin	Wu Guanzheng	Wu Ping
Shandong	Liang Buting	Li Zhen	Jiang Chunyun	Li Zichao
Henan	Yang Xizong	Zhang Shude (deceased)	Cheng Weigao	Yan Jimin

Province, Municipality, or Autonomous Region	Party Secretary	People's Congress Standing Committee Chairman	Governor, Mayor, or Chairman	CPPCC Committee Chairman
Hubei	Guan Guangfu (Man Nationality)	Huang Zhizhen	Guo Zhenqian	Shen Yinluo
Hunan	Xiong Qingquan	Liu Fusheng	Xiong Qingquan	Liu Zheng
Guangdong	Lin Ruo	Luo Tian	Ye Xuanping	Wu Nansheng
Hainan	Xu Shijie	Xu Shijie	Liang Xiang	Yao Wenxu
Guangxi	Chen Huiguang	Gan Ku (Zhuang Nationality)		
Wei Chunshu (Zhuang Nationality)	Chen Huigang			
Sichuan	Yang Rudai	He Haoju	Zhang Haoruo	Liao Bokang
Guizhou	Hu Jintao	Zhang Yuhuan	Wang Chaowen (Miao Nationality)	Miao Chunting
Yunnan	Pu Chaozhu	Li Guiying (female, Yi Nationality)	He Zhiqiang (Naxi Nationality)	Liu Shusheng (Hui Nationality)
Tibet	Wu Jinghua (Yi Nationality)	Ngapoi Ngawang (Tibetan Nationality)	Doje Cering (Tibetan Nationality)	Raidi (Tibetan Nationality)
Shaanxi	Zhang Boxing	Li Xipu	Hou Zongbin	Zhou Yaguang
Gansu	Li Ziqi	Xu Feiqing	Jia Zhijie	Ge Shiyang
Qinghai	Yin Kesheng	Huanjue Cailang (Tibetan Nationality)	Song Ruixiang	Liu Feng
Ningxia	Shen Daren	Ma Sizhong (Hui Nationality)	Bai Lichen (Hui Nationality)	Li Yunhe
Xinjiang	Song Hanliang	Amudun Niyaz (Uigur Nationality)	Tomur Dawamat (Uigur Nationality)	Ba Dai (Mongolian Nationality)

Note: The order of Hainan Province among all the provinces, municipalities, and autonomous regions has not been decided yet.

Editorial on Revamping Ideological Work
HK3108044288 Beijing RENMIN RIBAO in Chinese
30 Aug 88 p 1

[Editorial: "Revamp Our Ideological Work"]

[Text] One of the tasks put forth by the CPC Central Political Bureau at its 10th meeting is to revamp and strengthen ideological work. The ideological work can be strengthened only after it is revamped. This is an important idea, and it will have far-reaching influence on our future ideological work and the entire modernization process.

In the new historical period, we must follow the laws that govern economic development and the principle of income distribution according to people's work, and we must also stress the ideal, morals, and discipline. We will not only promote reform and opening up, but will also promote ideological work and unite the strength of the whole nation with the moral pillar of "realizing the four modernizations and invigorating China." So ideological work must be strengthened and must not be weakened. This is beyond all question.

However, as for "revamping ideological work," some comrades may doubt whether the existing problems in our ideological work are taken too seriously and whether this will lead to complete negation of our previous achievements and successful experience?

Such concerns are understandable. But we must realize that "revamping ideological work" is never a groundless and aimless slogan. Instead, it represents a realistic and creative principle based on all-round and objective analysis of the development of the situation and the past and current conditions of the ideological work.

The current structure, systems, and methods of our ideological work derived from the whole system of ideological and political work which was effective during the revolutionary and war period. It was crystalized from the long-time practice of the People's Army under the party's leadership after heavy costs were paid, so it met the needs of the then situation and tasks.

In the early years of the People's Republic, the good tradition of ideological work was maintained, and played an important role in guaranteeing the implementation of the line, principles, and policies in those years. However, when the whole party was exploring new methods of adapting the ideological work to the new situation and new tasks in the period of socialist construction, the

"leftist" ideas gradually became dominant. They developed to such a serious degree that they caused a 10-year catastrophe in our country. The fine tradition of ideological work was then seriously distorted and damaged.

In the past 10 years after the 3d Plenary Session of the 11th CPC Central Committee, the party restored the Marxist ideological line of seeking truth from facts, stopped using the slogan of "taking class struggle as the key link," and shifted the focus of the party's work to socialist construction. The party objectively and scientifically appraised the major historical issues after the founding of the PRC and redressed the wrongs in history. The party took many major steps toward reform, opening up, and economic invigoration and also adopted a resolution on building socialist spiritual civilization at the same time. Last year, the 13th party congress put forth the theory about the initial stage of socialism and the basic line for this stage, and formulated the blueprint for all-round reform of the economic and political structures. All these important actions have provided a fundamental precondition for correcting the "leftist" errors in ideological work, preventing the rightist deviation, restoring the fine tradition, and guaranteeing the healthy development of ideological work in the future.

In this period, our ideological work has played a major role in supporting the radical change in the party's guiding principles and in guaranteeing the fulfillment of the party's tasks on various fronts. The vast number of ideological workers have worked wholeheartedly and have made major contributions to the publicity and implementation of the line since the third plenary session. All this should be explicitly affirmed.

At the same time, we should also notice that because we were faced with arduous tasks in the past 10 years, the ideological work could not but concentrate on guaranteeing the fulfillment of the tasks in all fields. We were not free to make systematical analysis and distinguish the fine traditions that should be maintained and carried forward from those that are no longer suited to the new conditions, although they played a good role in the past, and those that are not good at all and must be discarded. In this sense, the task of setting up a good order and terminating chaotic conditions has not been completely fulfilled in the field of ideological work.

At present, our country is undergoing comprehensive and profound changes in the political, economic, and cultural spheres. Ideological work is facing an unprecedentedly grave challenge. The historical change of the party's central task requires that ideological work more consciously and more effectively serve socialist modernization construction; the change from a product economy to a socialist commodity economy requires that ideological work adopt new thinking methods, new values, and new moral standards and form new working mechanisms and functions; the change of the enterprise leadership system from the party committee's centralized leadership to the all-round responsibility of the

factory director requires that ideological work establish a new working order and that new ranks of ideological workers be organized. The modernization of mass media requires that ideological work keep pace with the development of the situation without delay; the building of socialist democratic politics, the ideological and cultural exchanges in the process of opening up to the outside world, and the unprecedented activeness of people's thinking also require that ideological work adopt new methods and replenish new contents that are acceptable to the people. At present, our ideological work is still far away from meeting all these requirements. Therefore, our ideological work must also undergo a profound transformation corresponding to the economic and political structural reforms.

All this explains why we now call for "revamping ideological work." Revamping serves the purpose of strengthening rather than weakening, still less negating and abandoning. Revamping ideological work will bring about a new situation in this field and will effectively guarantee the fulfillment of the task of building socialism with Chinese characteristics.

Then, how should we revamp our ideological work? This is an important question that should be discussed by all people, and there is still no ready and complete scheme for this. In view of the initial experience summed up by all parties concerned, it seems that the following points are noticeable.

First, the task of ideological work is to guarantee the implementation of the party's basic line and the fulfillment of the current specific tasks. Our basic task is to develop social productive forces, and the basic criterion for judging the success of ideological work is whether it can fully arouse the initiative and creativity of the masses and the cadres and effectively protect, enhance, and emancipate the productive forces. We have now entered a crucial stage of tackling the difficult points in the all-round reforms, so ideological work must be subordinate to and serve the task of deepening and developing the reforms. There is no other independent task for ideological workers. Only by really understanding this point can they effectively overcome the problem of separating ideological work from economic work (or other professional work) and thoroughly eliminate the residual influence of Lin Biao's viewpoint that "all work must make way for political work" and that "political and ideological work should be placed in a primary position."

Second, ideological work should be closely linked with the reality. This is originally a fine tradition of our party, but it was seriously ruined by Lin Biao and the "gang of four." Now things have improved greatly, but the phenomena of ideological work being divorced from the real life can still be seen everywhere. In the process of reform and opening up and in the transition from the old systems to the new ones, cadres and the general public

particularly need to seek answers for various new questions. For example, they want to know how to approach modern capitalism and socialism, how to view the reform situation, the problems in reform, and the stages of development, and how to view the value of life, the personal future, wages and prices, family life, and interpersonal relations.... However, we often regret to find that there are more "sermons" about the abstract concepts than vivid and concrete analyses that link the theory with the reality. Our ideological workers are required to make greater efforts to study the theory by linking them with the reality and apply the stand, viewpoint, and method of Marxism to study, analyze, and answer various questions in which the people have interest in the real life.

Third, an important principle for ideological work is to understand people, show loving care for people, and respect people. Our party and Army have the fine tradition of cadres respecting, loving, and caring about soldiers and cadres and soldiers treating each other equally. To maintain and carry forward this good tradition in the new period, we should clearly realize that ideological work is directed at people, and people constitute the basic force in socialist modernization. When class struggle was taken as a "key link," our ideological work put stress on restraining, confining, and checking people's thinking and action and even resorted to the method of capitalizing on people's vulnerable points, putting labels on people, and fiercely attacking people. Now all this must be thoroughly changed and stress should be put on serving, guiding, and helping people. Our main efforts should be made to arouse the initiative and conscious activity of the people. Of course, by understanding, showing concern and respect for people, we do not mean that we may make unprincipled accommodation to erroneous thoughts and unreasonable demands. However, when upholding the principles and pointing out the unreasonable character of some demands, we still should give patient explanation by cherishing the attitude of understanding and showing concern and respect for people.

Fourth, ideological work should be changed from a closed pattern to an open pattern. In the years of the revolutionary wars, if there were conditions, our Army still practiced "three democracies" (namely, economic democracy, political democracy, and military democracy) and made public the affairs to the masses for open discussions; this achieved good results. In the years of reform and opening up, the degree of openness relating to some major issues that concern the vital interests of the masses should be continuously raised, and the tendency of making things mysterious and a small number of people making arbitrary decisions should be overcome. This will help raise the people's sense of responsibility as masters, help coordinate the interests of people belonging to different social groups, and help overcome the corrupt practice of a small number of people who seek private gains by making use of their public and official functions. Of course, the degree of openness

should be adjusted according to the actual conditions, and this does not mean that the necessary confidentiality of certain state affairs can be given up.

Fifth, it is necessary to change the old model of ideological work based on the one-way indoctrination of most people by a small number of people, and to establish a new model in which there are two-way exchanges between the leaders and the subordinates and between cadres and the masses. In the new model, both the leaders and the subordinates function as ideological instructors and people who receive ideological education. Corresponding to this model, an institution or unit can decide whether or not it will set up a special ideological work organ and appoint some full-time ideological cadres and how many such organs and personnel to have in light of its professional work, business functions, and other specific conditions.

Sixth, the leadership system of ideological work should also be changed. In the past, the factory director was responsible for arranging production and managing business, and the party secretary was responsible for political and ideological work. This was taken for granted. Now, the enterprise law stipulates that ideological work in an enterprise should also be subject to the leadership of the factory director, who should bear all-round responsibility for building the two civilizations in the enterprises, while the party committee in the enterprise should play a guaranteeing and supervisory role. This will enable ideological work to more effectively serve economic work. The conditions in party and government institutions, cultural, educational, and research units are certainly different from those in productive enterprises, but the leadership structure for ideological work should also be changed.

The above points do not represent all the experience that has been gained by various localities, departments, and units in their bold explorations for carrying out ideological work, and they are far from a summing-up of the historical experience in this respect. We put forward these points just for arousing people's interest and attention on this issue so as to carry out extensive and in depth discussions. At the same time, we must say here that all the problems in the ideological work also exist in this newspaper to different degrees. So we are willing to join hands with comrades on all fronts to work for revamping ideological work, including journalism.

'Ten Theoretical Questions Facing Reform'
OW2908104088 Beijing BEIJING REVIEW
in English 22-28 Aug 88, pp 20-23

[Article: "Ten Theoretical Questions Facing Reform"—
by Zhao Ai and Wu Ming]

[Text] The State Commission for Restructuring the Economy has summed up the theoretical questions facing reform, discussed among Chinese economists, into the following ten major issues.

Characteristics of the Primary Stage of Socialism [subhead]

The 13th party congress stated that China is in the primary stage of socialism. Recognition of this fact represents the theoretical achievements in economic structural reform of the past ten years and the progress made by China's economic circles.

In considering the characteristics of the primary stage of socialism, Chinese economists generally favour the viewpoint that: The imperfection and immaturity of socialism have combined to discourage a full show of its superiority. The main manifestations of this are: On the whole productive forces are at a low level, operating through multiple layers and developing in an imbalanced way; the relations of production are characterized by the coexistence of various economic sectors (with the public ownership of the means of production predominating) and various methods of distribution (with distribution according to work as the major one). Although a socialist political system of people's democratic dictatorship has been established, the democracy is imperfect and its legal system is also imperfect; decadent feudal and capitalist ideologies and the forces of habit of small producers still exert a strong influence.

Planning and Marketing [subhead]

Chinese economic circles have, from the beginning of the economic structural reform, been locked in a debate over relations between planning and marketing. The main arguments are:

Some believe that the planned economy is basic to socialism, arguing that although under socialism there is the need to develop commodity production and exchange, it does not mean that socialism is being equated with the commodity economy.

Others hold that a socialist economy has the dual features of planned and market economies. This, however, does not rule out a relationship between commodities and money; it is the planned economy which relies heavily on commodity production and the exchange of commodities. Thus the commodity economy becomes one of the basic economic features of socialism.

With regard to regulation through planning and marketing, the following three viewpoints hold sway:

—Regulation through planning is applicable only to production and construction projects necessary to the society because they concern the national economy and the livelihood of the people.

—Regulation through planning and regulation through marketing are mutually related. Many products are subject to both kinds of regulation, with regulation through planning achieved through market regulation.

—The implementation of regulation through planning involves a weakening of market regulation; socialist society will eventually see the replacement of market regulation with regulation through planning. In the meantime, the latter should gradually be used more and market regulation should be gradually phased out. As the relationship between commodities and money becomes less important and market regulation is replaced by regulation through planning, planning regulation will become the only means of regulating the socialist economy.

Models of Reform [subhead]

Many economic research institutions take the targets of economic structural reform as their main subjects for research. They favour the following four models of reform:

Those who uphold the planned commodity economy model see the model, which is based on the inherent unity of the planning and marketing mechanisms, as differing not only from the highly unified traditional planned economy model but also from the market economy model. It is a merger of regulation through planning based on market mechanisms and market regulation under the guidance of planning.

Those who support the model of market regulation subject to macro-control under the guidance of planning see the major features of the model as: A concentration on revitalizing enterprises using economic means as the major form of indirect control; an integration of the principles of material benefits and social justice; and an extensive development of lateral association.

Supporters of the model of integrating a commodity economy based on public ownership with a planned economy present the basic aims of the model as a replacement of the old macroregulating mechanism of the product economy with the new macro-regulating mechanism of the commodity economy.

Supporters of the planned market model hold that the model basically aims at integrating direct and indirect controls, with indirect control playing the major role; adjusting enterprises' general activities and market environments; and readjusting the scope and structure of total social supply social demand.

Ideas About Reform of Ownership [subhead]

—Perfect state ownership and change its connotation. Separate enterprise ownership from managerial power under the system of state ownership and allow diversified methods of operation.

—Turn ownership by the whole people into enterprise ownership with independent management and sole responsibility for gains and losses.

—Replace state ownership with a shareholding system. A portion of the assets of enterprises owned by the whole people are thus carried over to the enterprises; workers buy enterprise shares, the state sets up a shareholding company which ensures that the enterprise is jointly run by the state, the enterprise and the workers.

Ownership reform is not just an idea; it is a reality. But the question of how far the reforms should go (for enterprises to demonstrate creativity and China to keep to the socialist track) is the focal point of serious studies by Chinese economists.

Some economists deem it necessary to proceed from the actual conditions of development of productive forces to set the ratio of ownership by the people to collective ownership, semisocialist ownership and non-socialist ownership at 5:3:1:1.

Others maintain that to rationally set a ratio for the different forms of ownership, it is necessary to ensure "quality, quantity and extent." To achieve "quality," efforts should be made to guarantee the leading role of the public-owned economy and allow the individual economy to coexist and develop with other economic sectors. With regard to "quantity," efforts should be directed at guaranteeing the absolute superiority of the public-owned economy. It is better to have a 10-20 percent and 20-30 percent contribution from the individual economy and other economies respectively to industrial and agricultural output values; the percentage may be higher for commerce and service trade. As for "extent," the aim would be to uphold the socialist orientation and promote the rapid development of social productive forces.

Key to the Reform [subhead]

There are five main viewpoints on the key to China's economic structural reform and its development.

—Price reform is the key to economic structural reform; correctly handling the internal relationship between price and ownership reforms, fully understanding the role of price reform in the economic structural reform, and analysing the focus of price reform are essential to designing reform ideas and programmes.

—A break through in the reform is possible through ownership reforms, the key to which lies in perfecting socialist ownership by establishing reasonable mechanisms for guiding the distribution of interests and benefits.

—The fundamental drawback in the traditional economic system is the imperfection of the market mechanism. Therefore, the aim of the reform is to perfect that mechanism and use it as a basis for setting up a new economic system—the planned commodity economy.

—The success of the reform does not lie in the enforcement of a given programme. Rather, it lies in the coordinated implementation of various related reform measures.

—The key to economic structural reform does not lie in the reform itself but in reforms to the society. A breakthrough in the economic reform will not be made through the economic structure itself but through reforms to the political system and to public psychology.

Shareholding System [subhead]

The shareholding system is a hot topic of discussion among Chinese economists. Some assert that there exists an essential difference between a socialist commodity economy and a commodity economy based on private ownership, and that the shareholding economy is not the inevitable result of a development of the socialist commodity economy; the implementation of the shareholding system will not entail a proper handling of the relationship between the government and the enterprise, rather, it will further blur the distinction between the two; and implementation of this system will, to a certain extent, result in more irrational enterprise performance. Distributing dividends according to shareholdings is likely to lead to a swelling of the consumption fund, leaving the problem of good short term performance unsolved.

Other economists feel the shareholding system should be implemented under give conditions only. This would be good for the concentration of capital and the effective combination of various essential production elements. However, the system should not be adopted across the board: especially not in enterprises which yield high profits.

Supporters of the view that the shareholding system is important to state ownership reform and that the system could become a major economic form of ownership reform hold that the system could concretize the relationship between various types of ownership, eliminate the situation of no accountability for the assets of enterprises owned by the whole people, build up a relationship characterized by a mutual interaction between enterprise owners, managers and workers, promote development towards rational enterprise performance, amass idle social funds to hold down swelling investment, and lead to a fairer allocation of social resources. As the enterprise shares are also bought by the workers, the workers naturally become concerned with the enterprises' production and performance.

Three Opinions on the Contracted System [subhead]

Although the contracted responsibility system is approved by the government, economic circles in China have not reached a consensus on the merits of the system.

Those who disapprove of the system see it as a barrier to deepening reform. Under the system, they argue, the enterprise and the state are able to bargain which makes it difficult to establish comparatively normal rules and regulations; the contractor pursues short-term interests and will therefore make the most of available equipment to make fast profits, affecting long-term investment and creative activities, and the readjustment of the production structure and product mix.

Those who support the contracted responsibility system hold that the system will help ease the impact of the psychological shock of ownership reform. Moreover, it suits present management and technical levels. The fixed base figure for profits and the fixed proportion of profits to be retained will, to a certain extent, form a controlling influence on the enterprise budget. The relationship between the state and enterprise is established through signed contracts, which is very likely to lead to a separation of enterprise management from government administration. The contracted responsibility system also meets the needs of the basic reform strategy: to seek progress through stable endeavours.

There are also those who adopt a circumspect attitude. They hold that the system is not a normal one, but suits China's present level of management and technology; it is therefore the most realistic and the most effective transitional measure for deepening enterprise reform and constitutes necessary stage in the transition from the product economy to the commodity economy.

The Labour Force as Commodity [subhead]

Under socialism, the labour force is not a commodity but, with the thrust of reforms, this theory has come under new scrutiny.

Those who insist that the labour force is not a commodity believe that only in the capitalist world is that concept upheld. Opening up the job market will not automatically reverse this and the institution of the labour contract will not pave the way for the labour force to become a commodity.

Opponents to this view differ in their reasoning. These differences boil down to the following:

—Under socialism, labour is not only the sole means for subsistence but also the only criterion for handing out remuneration. The dual nature of labour makes it a commodity under socialist conditions.

—Socialism has not eliminated the two basic conditions under which labour can become a commodity: Labourers enjoy personal freedom; as the means of production are owned by the group of labourers, not individual labourers themselves, labourers still own "nothing."

—Under socialism, labourers have become the masters of society. As there exist different ties between the ownership of the means of production, the right to its use and the right to enjoy its benefits, the establishment of this position is not decided exclusively by ownership. Therefore, there exists no contradiction between the labour force as a commodity and labourers as masters of the society. There are two other viewpoints: One that under socialism the labour force takes on a dual nature of commodity and non-commodity; the other, that the labour force is not a commodity but has the quality of commodity.

Hiring Labour [subhead]

The way in which labour is hired is also a controversial issue. It is understood that under socialism there is no exploitation. But the reality forces people to cast about on the theory.

Those who defend the socialist approach to hiring labour hold that this management method is inherited from capitalism when socialism is underdeveloped. It is therefore a kind of labour form with capitalist elements.

Some hold that hiring labour has either a capitalist nature or elements of capitalism.

Others see it as semi-socialist in nature as only a small part of after-tax profits go towards collective accumulation or awards for labourers.

Then there are those who hold that the hiring of labour falls into the realm of the private economy; it decides that the ownership of (including the right to use) the means of production is separate from the labourers, and the employers enjoy the surplus labour of their employees. As the labour force is not a commodity, however, this private economy is different from capitalist wage labour.

Some people contend that hiring labour has a dual nature. On the one hand, as part of the profits made by employees go to the employer, it involves a kind of exploitation. On the other hand, as the remaining profits go to the collective and the state, it is also socialist in nature. The employer uses a certain proportion of net income in employee wages, so labour hire has the nature of joint labour and wage labour.

Macroeconomic Policies [subhead]

Chinese economic circles have played a growing role in guiding China's economic performance and the deepening structural reform. This finds expression in their proposals for the formulation of macroeconomic policies. The following four viewpoints predominate:

—Restricting demand. Economists feel that the emphasis of macroeconomic policies should be on restricting total demand because: China's economy falls into the

category of shortage economy with a demand prone to swelling; the financial deficits of the past few years, the oversupply of paper money and the overspending of national income, have meant that China could not fundamentally improve its situation of demand exceeding supply; and reform calls for a fairly free economic environment. This being the case, it is necessary to ensure that total social supply is greater than demand.

—Stimulating demand. Macroeconomic policies should be geared towards increasing investment and stimulating demand to maintain a fairly high growth rate. Major reasons for this view are: Balance achieved through controlling demand is in fact a passive, short-term balance achieved when the capability of producing goods in great demand has not been fully exploited. This serves to restrict economic development; the free environment required by the reform will be created only by developing the economy. It is not realistic to conduct reform when enterprises have created a free environment.

—Increasing supply. Macroeconomic policies should be geared towards increasing supply as control on demand does not suit the Chinese reality. Regulation of demand alone will not be able to solve problems such as the readjustment of structure and the allocation of resources; restricting demand will not exert a positive influence on supply. China's basic industries and facilities are backward. Growing consumption trends have placed greater demands on the construction of infrastructural facilities.

—Integrating supply and demand. Both restricting demand and increasing supply have their strong points. Demand restrictions counteract the economic cycle by restricting or stimulating demand to quickly achieve a balance between total supply and total demand; the latter aims, through improving the benefits of supply and optimizing the allocation of resources, to increase future supply. Rather than replacing one with the other, the two should complement each other.

Commentator on Rational Understanding of Reform
HK3008100488 Shanghai SHIJIE JINGJI DAobao
in Chinese 15 Aug 88 p 6

[Article by special commentator Wu Guoguang (0702 0948 0342): "Understanding Reform With A High Degree of Rationality"—first paragraph in boldface as published]

[Text] We are playing such a contradictory role: The old system has provided us with milk, whereas the new system has given us money. While we are spending the money, we think of getting rid of the ossified system. While we are drinking milk, we think of overthrowing reform. It seems that we can gain advantages from both sides. In fact, by doing so we will be deprived of everything. To combine the

driving force of tens of millions of the people, democratization is the only path we can follow. If we reason things out, people will understand everything. To make our people understand everything, we should bring all matters out into the open.

Where does the driving force for reform come from? In the course of reform, how should we avoid social unrest? During the crucial moment when the reform in China is "passing a barrier," we have every reason to explore the way for it. Who will support us in "passing the barrier?" Only by doubling and redoubling our efforts can we go up the slope. If we "pass the barrier," will social unrest occur? It is obvious that various kinds of unrest, confusion, and turbulence might occur. If there is a sufficient driving force for reform, our society will pass the barrier. If turbulence occurs in reform, events might take an unexpected turn, and our reform might even be completely destroyed. It is fortunately enough that this is not the only option open to us. What do we want to choose—driving force or social unrest? We never hesitate to make our choice. In the face of reality and means, fear and timidity will occur, because everyone of us is a "queer circle [guai quan 1843 0946]," and has adopted a double-dealing attitude toward reform.

Driving Force and Obstacle: The Dual Role Played by Everyone [subhead]

Almost everyone supports reform.

Almost everyone opposes reform.

We have experienced the old system. As far as the old system is concerned, our feelings for it are complicated. In particular, the way we derive benefits from it has made our feelings more complicated. Of course, we are greatly dissatisfied with the old system because it has hampered the development of productive forces. It is impossible for us to increase our living standard to a higher level, and to enjoy and protect our freedom under the old system. All this has made us understand that the old system has brought difficulties and crisis to our country and nation, and to everyone of us as well. We have also realized that without reform, there will be no way out for us. People's disappointment and dissatisfaction with the old system have become the initial driving force for reform. However, there is no denying the fact that we are also sentimentally attached to, or reluctant to part with the old system. In particular, when the current reform is entering a crucial moment, and we are required to gnash our teeth to make sacrifices, such feelings as "looking backward" have very often become increasingly serious. We are reluctant to lose the benefits we have obtained. Commodity prices must not increase, and our subsidies must not be reduced. The "iron-rice bowl" must not be broken. Strenuous labor must be avoided. We do not want to give up reliance on someone to decide our own fate. It is better for us to rely on someone. Who should we rely upon? The party? The government? The people? We cannot find those who will

ultimately take the responsibility. Nobody is willing to take the responsibility. We all want an easy job and to have someone to rely on. In such a way, we will consciously or unconsciously stand in opposition to reform in terms of interests or concept, and become an obstacle to reform.

Reform is a major readjustment of interests, and is also a great change in concept. When the old system is being replaced by the new one, we straddle two boats! These two boats are heading in opposite directions. We are playing contradictory roles in the society. We are the opposers of both the old system and reform. We only know our own interests. The old system has provided us with milk, whereas the new system has given us money. While we are drinking milk, we think of overthrowing reform. While spending money, we think of getting rid of the ossified system. It seems that we can gain advantages from both sides. Actually, we will be deprived of everything because of all this. Generally speaking, the majority of people support reform. However, as far as a specific measure, or stage of reform is concerned, different people will adopt different attitudes toward it. Almost all people might disagree with a certain kind of reform.

The Obstacle Has Expanded and the Driving Force Has Gone Out of Control [subhead]

It seems that when people are encountering the problem of price increases, their sentimental attachment to and reluctance to part with the old system becomes most conspicuous, concentrated, and powerful. When price reform has caused price hikes and harmed our vested interests, our opposition to reform gains ground. Our reform will suffer setbacks because of this. When the obstacle becomes greater, mass action of blindly opposing reform might occur. The expansion of the obstacle will cause social unrest. The driving force might also be turned into its opposite and bring about social upheaval.

As far as the obstacle is concerned, people very often speak the same language. However, as far as their driving force is concerned, it is difficult to coordinate it, because their demands are many and varied. In other words, when people are supporting reform, their views on "how to carry out the reform" are not unified. They might go their own way, or take their own action. Their driving force is "out of control," in a disorderly way. To individuals, reform is carried out consciously. However, in general it is difficult to avoid this or that kind of blind action in reform. Blind action might also cause social unrest.

Countermeasure: The Concentration and Transmission of Driving Force [subhead]

The key to solving the problem lies in concentrating the factors of the driving force for reform. The expansion of the obstacle means the decline of the driving force. The fundamental way to curb the expansion of the obstacle

lies in arousing and exciting the factors of the driving force, so that they will occupy a dominant position. To solve the problem of the driving force being out of control, we should allow the factors of the driving force to enter a orderly state. In a word, our focus must be concentrated on the driving force for reform.

The expansion of the obstacle means the insufficiency of the driving force. The fact that our driving force has gone out of control has to a certain extent shown the "surplus" of the force. The "essential problem" is that our driving force has not been led in the direction of overcoming the obstacle. It has even stood in the way of progress. This is the problem of the rallying force of reform, or the problem of organizing the contingent of reform. As far as the problem of the rallying force is concerned, the key lies in hoisting a huge banner, so that members of the contingent of reform can assemble under it. Reform should have a full set of theories to sufficiently attract, convince, mobilize and unite the people. It is insufficient to rely on the practice of reform alone to attract and convince the masses, because not every step of reform can make brilliant achievements, or bring practical benefits to the masses. We should upgrade our simple feeling for reform to a rational and conscious understanding. To truly understand and master the reform, we should rely on theories to do the work of upgrading. Since reform has been carried out for 10 years, consciousness is now needed. This consciousness means the consciousness of all people. Only by relying on such consciousness can we arouse the factors of the driving force of the people for reform, and curb the factors of obstruction to ensure the smooth progress of reform.

As far as the problem of the organization of the contingent of reform is concerned, one problem should be particularly mentioned, namely the transmission of the driving force for reform. Here, the so-called organization means that we should pull together the force of reform, and turn it into a fist. The force of reform can be found in everyone of us. To pull together the force of reform of tens of millions of people, we should solve the problem of the transmission of the driving force. There is no doubt that democratization is the only way we can go. Only by marching along the path of democratic politics can we pull together the force of tens of millions of people, and turn it into an orderly and controllable driving force. Therefore, promoting the development of socialist democratic politics in a firm, unswerving and steady way is one of the basic measures for preventing social unrest. As long as the force of reform at both the higher and lower levels is linked and fully coordinated, it will be easier to handle the matter of reform, and no obstruction will be fearful.

The arousing of the driving force for reform and the increase of consciousness, and the efforts we exert to rally and guide the masses will gradually free us from the worries and perplexity resulting from the dual role we are playing, and help us change our role under the old system into the new one under the new system. In this process of

change, it is true that the change of the method for gaining benefits has played a decisive role. However, to change the method in a steady way, we cannot but attach importance to the role of public opinions. If we reason things out, people will understand everything. To make our people understand everything, we should bring all matters into the open. By relying on our efforts to bring all matters into the open and democratization, we will enable our driving force to crush obstacles. By integrating our efforts to bring all matters into the open with democratic politics in a guided way, our driving force will not be wrongly guided to incite social unrest. This is the choice we should make.

Price Reform, Joint Stock System Viewed
HK3008063588 Beijing GUANGMING RIBAO
in Chinese 20 Aug 88 p 3

[Article by Zheng Hongqing (6774 3163 1987) and Hong Xiaoyuan (3163 1420 3293): "Price Reform and the Joint Stock System of Enterprises"]

[Text] The fundamental purpose of price reform is to facilitate shifting the economic structure onto a new track and to establish an initial market mechanism which ensures a reasonable allocation of resources. Readjusting the price structure, abolishing the double-track price system, changing the mechanism for formulating prices, and rationalizing the price system are all tasks or measures in price reform rather than its ultimate purpose. Many people are talking about the difficulties of price reform but laying emphasis only on the difficulties in macroeconomic control and compensation. In fact, there are also many substantial difficulties for price reform, such as those in the flow of major elements and the readjustment of interests, reflecting the rigidity of the production setup and the interests structure.

When price control is released the following phenomena will inevitably appear: The prices of those commodities in short supply will go up and profits in the production enterprises will increase. But can all this bring about a fast inflow of major production elements? On the other hand, the prices of those commodities in excess supply will drop and the profits in the production enterprises will also decrease. But can all this bring about a fast outflow of the major production elements (including the bankruptcy of enterprises and an increase in the unemployment rate)? In other words, without a mechanism for the flow of major production elements, the commodities that are in excess supply will continue to be produced as before and those in short supply will remain in short supply. Thus, relaxing price control can only bring about an increase in the general level of prices, and rationalizing the allocation of resources will be out of the question. Moreover, under such circumstances all macroeconomic control or compensation will be of no avail.

To ensure the rapid flow of major production elements it is necessary to cultivate and perfect the major production elements market. This is the key to realizing the

purpose of price reform. The formation of such a market will not only facilitate the flow of the major elements and change the rigidity of the production setup, but will also help promote changes in commodity prices and alter the rigidity of the interest structure. Under the traditional form of public ownership, because there are no distinct relations between the various sectors in respect of property rights, the government takes over all functions of the owner and becomes the main body in market operation. As a result government administration and enterprise management are mixed up. On commodity prices, which is the most sensitive economic and social question, the relationship between the people and the government is placed in a position of direct antagonism. Every time prices are readjusted, the two are always at the extremes of direct conflict. Thus, what the government does in order to improve the price structure and in consideration of the people's interests is often restricted by the people's capacity to bear. With each rise in commodity prices (in reference to single commodity prices), government expenditure on subsidies will naturally increase and government prestige will drop a little.

The formation of the market of major production elements (with reference to the funds market) means separating the ownership and the government through clarifying property relations for enterprises under public ownership, so that government can stand aloof from market operation. With regard to prices, the general price level should be controlled and managed by the government but the price structure should be decided by market supply and demand. While obtaining the right to set prices the market has also reduced its responsibility and risks in price changes. When the prices of certain commodities go up there will only be conflicts between enterprises and consumers, and the government will merely be a mediator between the two. Therefore in order to form the major elements market and promote the lateral flow of funds, it is necessary to take a large stride forward in transforming the property relations in enterprises under public ownership. Thus, following the idea of price reform—market mechanism—the market of major elements, we will be able to gain a deeper and clearer understanding of the orientation of enterprise reform.

The orientations of price reform and of deepening enterprise reform coincide. The reason is that no part of the rational price system or rational enterprise operation is dispensable in order to rationalize the allocation of resources. However, there are also obvious contradictions between the contract responsibility system in enterprises and price reform. The base figure in the contract responsibility system is determined in accordance with the existing price structure, but on the other hand the contract responsibility system as a whole is established on the basis of a stable distribution relationship between the state and the enterprises. The relationship between the contract responsibility system and price reform is shown by the following: First, reform becomes difficult after contract because the contract responsibility system

takes the relatively stable price parity as a prerequisite, and we can say that it has a greater demand for price stability than for rationalization of the price structure. Second, contract becomes difficult after reform because price reform cannot be completed all at once, and the repeated readjustments of prices and base figures will inevitably bring about instability in the distribution relationship, which is the basis of the contract responsibility system. Third, contract becomes difficult even without reform because the double-digit increase in commodity prices is higher than the increase in profits turned over to the state by almost all enterprises, and the function of the contract responsibility system in ensuring a stable state income no longer exists. Therefore, price reform will inevitably shatter the contract responsibility system as a form of enterprise operation, and also a considerably large number of enterprises. What other system should we adopt to replace the contract responsibility system and to reorganize property relations in enterprises under public ownership? Undoubtedly, the joint stock system would be the best choice.

At present, whether or not to adopt the joint stock system is not a problem for us. However, how to promote coordinated relations between price reform and the joint stock system during structural reform will become a major problem which should be solved before pushing price reform forward in a big way. Here is our tentative idea on this question: First, we should make the course of price reform, that is the development from readjusting prices to relaxing price control, and enterprise reform, that is development from the contract responsibility system to the joint stock system, relate to and respond to each other. After a short preparation the contract responsibility system in enterprises should be changed by readjusting the price parity. At the same time preparations should be made for further relaxation in prices. Then, by substituting the contract responsibility system with the joint stock system which takes the limited liability company as the main form, the property relations in enterprises will be harmonized, and the flow of the major production elements will be promoted which will provide a foundation for the further relaxation of prices. Finally, after relaxing control on most commodity prices it is necessary to grant the market the right to set prices. At the same time it is necessary to promote development of the limited companies and establish a major elements market so that the market's ability to set prices can be increased, and a market mechanism to ensure an increasingly rationalized allocation of resources can finally be established.

GUANGMING RIBAO on Urban Enterprises
HK3008053188 Beijing GUANGMING RIBAO
in Chinese 20 Aug 88 p 3

[Article by Lin Hanchuan (2651 3352 1557): "Brief Views on the Reform of City and Town Collective Enterprises"]

[Text] Some people are under the wrong impression that the reform of city and town collective enterprises has invigorated these enterprises. They assert that in theory

and policy major efforts should be focused on the study of enterprises under ownership by the whole people. As a matter of fact however, the reform of city and town collective enterprises lags behind that of enterprises under ownership by the whole people and is far from the target of invigorating city and town collective enterprises. This article makes a brief analysis and exploration on some important issues concerning the reform of city and town collective enterprises.

It Is Necessary To Reunderstand the Position and Characteristics of City and Town Collective Enterprises [subhead]

Many comrades still think that city and town collective enterprises are of a "low-level nature" and only play a "supplementary" role in the national economy. This is one of the important reasons why no adequate attention has been paid to the study of city and town collective enterprises. This situation must be changed.

According to statistics employees in city and town collective enterprises account for 26.8 percent of the total employees throughout the country; these employees and the employees of township enterprises account for 40 percent of that total; the total output value of city and town collective industries accounts for 15.3 percent of the country's total industrial output value; this output value and the output value of township enterprises account for 36 percent of the country's total industrial output value. The collective economies of economically developed provinces account for even larger percentages than the above figure. For example, Zhejiang's collective economy accounts for 64 percent, Jiangsu's 59 percent, Shandong's 46.6 percent, and Guangdong's and Hebei's 40 percent. These figures indicate that collective ownership has become a principal part of public ownership during the initial stage of socialism in China, and that it is a force that should not to be underestimated. It should be treated equally with all-people ownership.

Most collective enterprises have developed without state investment. They have developed production and provided financial resources for the state and localities. They can meet market demand and arrange for employment. They have made special contributions to consolidating stability and unity in society. Therefore, changing the old concept and reunderstanding the position and characteristics of city and town collective enterprises is of strategic importance to invigorating the national economy as a whole.

It Is Necessary To Give Explicit Legal Definitions to the Nature, Power, and Benefit of City and Town Collective Enterprises [subhead]

Some city and town collective enterprises have not made any major breakthroughs in their reforms. Egalitarianism, indiscriminate transfer of resources, exacting charges at will, and fund embezzlement are still serious in these enterprises. This is because they are still

restricted by the management mode of enterprises under all-people ownership. Therefore it is necessary to give explicit legal definitions to the nature, power, and benefit of city and town collective enterprises. On the one hand it is necessary to reiterate that they are economic organizations collectively owned by the socialist laboring masses, that they have the autonomy and legal entitlement to independently carry out and manage production, and that no unit or individual is allowed to practice egalitarianism or indiscriminate transfer of resources and to embezzle the property of collective enterprises. No unit or individual is allowed to use laborers gratuitously, to exact charges at will, or to "transform" or "merge" collective enterprises. On the other hand it is necessary to straighten out the relationships between collective enterprises and the departments in charge. The departments in charge should delegate the powers of ownership, management, and distribution to collective enterprises. The problem existing between the departments in charge and collective enterprises is not one of separating the powers of ownership and management, but of the former delegating the above three powers to the latter. Only when collective enterprises are recognized as independent commodity producers and operators can a foundation be laid for their reform.

It Is Necessary To Straighten Out the Property Relationship Between City and Town Collective Enterprises [subhead]

Collective enterprises should have ownership rights and for this reason it is necessary to ascertain their ownership of assets. This is an issue of primary importance in deepening the reform of collective enterprises. Their assets come from various sources: From local governments, street committees, the masses, and some accumulated by the enterprises themselves. These various sources and structures have given rise to a situation in which collective enterprises are owned by decentralized and multiheaded departments and units in charge. To change this situation it is necessary to define their ownership rights according to the source of assets, under the compensatory principle of the commodity economy. Only thus will it be possible to exercise stricter control over their assets and to change their operational mechanism.

The operational methods in collective enterprises are different because the sources of assets are different. Different operational forms can be introduced on the basis of straightening out the proprietorship of these enterprises. Generally speaking, enterprises with a large proportion of state investment should belong to the state and "separate the two powers" under the contracted management responsibility system; collective enterprises with a complicated asset structure can operate under the shareholding or leasing system; collective enterprises with self-accumulated assets can unify their ownership and operational rights; and small collective enterprises

can operate on a cooperative basis, be run by lease, or even be sold by auction. In short, different methods should be applied so as to develop their production.

It Is Necessary To Exercise a Diversified Leadership System [subhead]

A survey suggests that many collective enterprises are still exercising the factory director responsibility system under party committee leadership, and this has seriously hampered their invigoration. Following the straightening out of the proprietorship of these enterprises and the diversification of their operational forms, it is necessary to introduce a diversified leadership system. This is determined by the ownership nature of collective enterprises. This diversified leadership system should be exercised according to the enterprises' proprietary relationships, their scales, and their operational forms. "Economic combination bodies" and "cooperative enterprises" formed by collective enterprises can exercise the factory director responsibility system under the leadership of the board; enterprises with a large proportion of state investment can exercise the factory director responsibility system; whereas most collective enterprises can exercise the factory director responsibility system under the leadership of the workers' congress.

Collective enterprises in China cover a wide range of trades, are run under various ownership forms, and are widely scattered throughout the country. A large number of collective enterprises lack leadership, with the exception of commercial departments taking charge of supply and marketing cooperatives, light industrial departments exercising leadership over large collective units, and labor and personnel departments assuming responsibility for labor service companies. The state should devote more efforts to its theoretical study of collective enterprise reform, formulate more rules and regulations for invigorating collective enterprises, and form an organization to exercise uniform management over collective enterprises. This will facilitate reform of the collective enterprises' internal mechanism and provide good external conditions for their existence and development.

Foreign Trade No Longer Limited to Few Firms

OW3008120888 Beijing XINHUA in English
1026 GMT 30 Aug 88

["Roundup: Monopoly Broken in Foreign Trade"—XINHUA headline]

[Text] Beijing, August 30 (XINHUA correspondent Li Lubo)—Although foreign trade is still somewhat of a profitable privilege, it is no longer monopolized by the few state-owned giant corporations.

By the end of June this year, 4,100 domestic firms had registered to engage in foreign trade, according to the latest statistics from the Ministry of Foreign Economic Relations and Trade (MOFERT). The number of such firms is growing at an average rate of several hundred per month.

For nearly three decades after 1949, China's foreign trade was controlled by specialized companies designated by the state. By 1979, only 192 Chinese enterprises had the right to do import and export business.

In exports, for instance, sales used to be conducted by national corporations and supplies were purchased by their local branches. Export manufacturers were kept away from direct deals and the world market since they could only turn out products in line with the state's foreign trade plan.

The separation of production and trade often led to inflated imports and dampened the initiative of domestic enterprises to manufacture more export goods.

Since 1979 the Chinese Government has begun to break the monopoly in the country's foreign trade with structural reforms. Cooperation between trading firms and manufacturers has been encouraged and more enterprises have gained the right to engage in this business.

Beginning this spring, local branches of the dozen national import and export corporations have become independent subsidiaries and MOFERT has handed over the power to approve foreign trade firms to provincial authorities.

Trading firms involved with machinery and electronics have appeared in large numbers since exports in this sector are encouraged by the government as top-priority exports.

The China National Machinery Import and Export Corporation used to be one of the country's two machinery trading firms and its exports ranked the first in this sector last year. But the corporation lost its "hegemonic power" and had to face market competition as an ordinary import and export agent after its 38 local branches became financially independent this year.

Trade analysts here believe that the rapid increase of such firms will add more competitiveness and vigor to China's foreign trade and greatly promote the country's exports.

However, a MOFERT survey shows that these firms lack reliable supplies and sales networks, and sometimes purchase export goods at high costs and market them overseas at low prices. A frenzy of buying of silkworm cocoons in south China this summer was typical of what can happen in an unregulated market.

Exports from newly approved foreign trade firms still account for only a small proportion of China's total export value. Many can not even fulfill the commitment to make their annual export value above three million U.S. dollars three years after starting business.

Most of the 4,100 firms are state-owned and no private enterprise is allowed to join this club. Although 20,000 rural enterprises are engaged in export production, only two have the right to make direct deals with foreign businesses.

Experts here are worried about these irregularities and demand more supervision over the approval and administration of such firms. They argue that more technology- or labor-intensive manufacturers should be given this privilege while other enterprises can cooperate with specialized trade firms.

Widespread Tax Evasion Affects Economic Reform
OW3008144188 Beijing in English to East and South Africa 1700 GMT 29 Aug 88

[From the "Current Affairs" program]

[Text] The Supreme People's Procuratorate estimates that 80 percent of individual taxpayers and half of state and collective enterprises are evading taxes. As Radio Beijing's Xue Qiao reports, the situation has seriously affected both state revenues and the ongoing economic reform.

[Begin Xue Qiao recording] Some experts even suggest that nearly 100 percent of individual taxpayers are evading taxes. (He Yong), spokesman for the Supreme People's Procuratorate, reveals that citizens' tax violations were found almost every time tax collectors went to examine individuals or enterprises.

Taxes worth more than 10 billion yuan are lost every year. Tax evasion is the major reason why the state is suffering from the big budget deficit. In the past, state-owned enterprises turned over most of their profits to the state. In 1983 the state attempted to encourage production by taxing a percentage of profits. Since then taxes have been the government's major source of income. Taxes account for more than 90 percent of the state revenues.

But (He Yong) says many Chinese people still do not accept the concept of paying taxes. He says that the few enterprises that lead the way in economic reform also have problems with tax evasion. In fact, these enterprises have achieved good economic results simply because they did not pay taxes. This creates unequal competition between enterprises. He says enterprises should make profits by raising economic efficiency rather than evading taxes.

(He Yong) points to Sino-foreign joint ventures and wholly foreign-owned enterprises as model taxpayers. He says foreign entrepreneurs have a strong sense of paying taxes. Some foreigners even sought out the tax bureau to discuss proper tax rates. But (He Yong) charges that Chinese enterprises are rarely law-abiding. Some local leaders use their power to replace the law. These leaders offer random exemptions to their favored enterprises, and these enterprises show contempt for the local tax bureau and sometimes bribe tax collectors. The problem is becoming more serious now that the state has relegated more decisionmaking power to local governments. (He Yong) says local leaders and taxpayers must change and recognize their supporting relationship to the state. He says this kind of relationship should be strengthened and tax evaders should be punished.

The Supreme People's Procuratorate has decided to send its examiners to tax bureaus to coordinate work between the two parallel organs. The Procuratorate and the State Tax Bureau had a seminar last week in Northeast China to discuss ways to solve the problem. Many seminar members complained that the crisis is not entirely the fault of tax evaders. They argued that the country has too many types of taxes and that the tax rate is too high. The state has also issued temporary tax exemption to too many enterprises. Critics say all these factors contribute to the tax system chaos. (He Yong) admitted the problem exists. And he says discussions are now under way. [end recording]

End of Year Steel Shortage Reported
HK3008112588 Beijing CEI Database
in English 30 Aug 88

[Text] Changsha (CEI)—The shortage of steel supply will be more acutely felt in the latter half of this year, according to a marketing conference held here recently.

Statistics show that supply meets only 66.7 percent of demand, of which heavy steel meets only 87.1 percent, light steel 94.6 percent, large-size steels 68 percent, small-size steels 72.8 percent, wires 77.2 percent, medium thick plates 63.5 percent, steel sheets 59.3 percent, silicon steels 54.1 percent, high-quality steels 67 percent, seamless steel tubes 66 percent, welded steel pipes 58.5 percent, metal products 85.2 percent.

Rural Electrification Construction Progresses
OW3008185688 Beijing XINHUA in English
1434 GMT 30 Aug 88

[Text] Beijing, August 30 (XINHUA)—Rural electrification has been completed in 27 of 100 counties rich in water resources and which have been targeted for development under a nationwide experimental program initiated by the State Council in 1983.

In the electrified counties more than 90 percent of the residents have electricity, the power requirements for agricultural and local industrial production are satisfied and at least one-fifth of the families use electricity for cooking.

These counties have erected 290,000 kilometers of power lines and installed 2.09 million kw generators.

Construction is under way to boost generating capacity an additional 700,000 kw.

Between 1983 and 1987 the power consumption rate in the 100 counties has increased by 70 percent. The total industrial output value has gone up 125 percent, and output value of township enterprises quadrupled.

Chinese Women Struggle for Equality
OW3008194888 Beijing XINHUA in English
1512 GMT 30 Aug 88

[Text] Beijing, August 30 (XINHUA)—The late Chairman Mao Zedong was fond of saying that women hold up half the sky but that has not always meant women have had an equal share of opportunities with men.

Mostly they haven't.

The situation has improved since the founding of New China in 1949 but the All-China Women's Federation, the organization that speaks for women of China, feels more, much more, can be done.

In the political area, for instance, women make up 21 percent of the total number of the national, provincial or regional people's congressmen.

They account for only 28.8 percent of government functionaries.

To most Chinese women, the current reform of political and economic structures means new opportunities and also challenges, which demand greater competence.

In rural areas, women have seized the chance to become better off. One-third of the rural specialized households are dominated by women while 40 percent of rural enterprise workers are women.

In rural places where the economy is more developed, women contribute half the total farm and industrial output value.

In urban enterprises and administrations, women account for 36.8 percent of the work force.

Some women have started cooperatives or businesses on their own; 24 percent of the country's 21 million self-employed workers are women.

Women have achieved greater equality in the factories. A random survey showed as many women as men holding positions as directors, managers and professionals. Fifty female business leaders were singled out for prizes by the state this year.

The number of female scientists and researchers is almost one-third of the country's total, with 1,456 winning prizes for achievements in the past decade.

"Equality between the sexes" is enshrined in law but suffers in college enrollments. Males are normally accepted over females where entrance exam scores are the same. Male grads get more job offers than female grads do, also.

Housework chores continue to hold back women from getting an education. In some remote and backward areas, women are ignorant of laws that protect them.

Experts say Chinese women are far from being emancipated from feudal ideas that consign them to traditional roles.

"Women can be emancipated only by themselves," says Zhang Guoying, the first vice chairman of the All-China Women's Federation.

"The liberation movement will not necessarily bring women all happy changes, but awaken them in the process," she says and adds that the first thing women should realize is they are equal with men.

East Region

Mao Zhiyong Gives Speech on Party Building
OW2608194588 Nanchang JIANGXI RIBAO
in Chinese 13 Aug 88 pp 1, 3

[Speech by Mao Zhiyong, secretary of the Jiangxi Provincial CPC Committee, at a provincial conference on organizational work on 12 August 1988: "It Is All the More Necessary To Strengthen Party Building in the Critical Period of Reform"]

[Text] Comrades:

This provincial conference on organizational work has been going on very well. Before the opening of the conference, the standing committee of the provincial party committee met twice to relay and study the guidelines of the national conference on organizational work and to discuss in earnest ways to implement these guidelines. The standing committee of the provincial party committee held: In the critical period of reform now, we should act on the guidelines of the national organizational work conference, be strict with party members, do a better job in party building, and deepen the reform of the cadre personnel system. This is a matter of great importance in organizationally ensuring the implementation of the party's basic line. During this provincial conference, Comrades Liu Fangren and Lu Xiuzhen made a relayed report and a work report respectively; they delivered their reports well, and I fully agree with them. At this conference, comrades of many units have introduced their very useful experiences, and those present have enthusiastically discussed issues according to actual conditions, thus enhancing their understanding and confidence. I believe that the party's organizational work in our province will be raised to a new level by implementing the guidelines of this conference.

It is the first time for me to attend a provincial organizational work conference since my arrival in Jiangxi. As far as I know, comrades engaged in organizational work, including those engaged in party work in government offices and primary party organizations, have worked hard without being upset by criticism and have pressed forward in the face of difficulties, thus making tremendous achievements in strengthening party building and performing cadre work. I wish to take this opportunity to extend my cordial greetings to you comrades. The conference arranged for me to speak to you today. In fact, Comrades Liu Fangren and Lu Xiuzhen have comprehensively discussed questions with you. However, since I have been asked to speak, I would like to state three points of view on ways to further strengthen party building in the critical period of reform.

1. With the Deepening of Reform and Opening Wider to the Outside World, It Is All the More Necessary To Strengthen Party Building and Uphold the Principle That the 'Party Takes Care of Its Own Affairs' [subhead]

As everyone knows, our party is in power. The condition of the party has a direct bearing on the future and destiny of the country and the nation as a whole. Party building is always related closely to the party's political line and serves it. Now the general task of the party is to implement the guidelines of the 13th party congress, assume overall control of the situation in reform and construction, and ensure the implementation of its basic line. It is simple to talk about this task but is not so easy to carry it out. Take the ongoing reforms and opening to the outside world for example. They are unprecedented undertakings. Since the 3d Plenary Session of the CPC's 11th Central Committee, we have profoundly realized that to make the Chinese nation and Jiangxi prosperous, we must take the road of reform and opening to the outside world. The farther we follow this road, the broader it will become. But this road is very difficult to travel, and no single step is taken with ease. Particularly when reform has now entered a critical period, solutions are urgently needed for difficult problems concerning various quarters and thousands upon thousands of households, problems which we simply cannot evade. As we are full of promise and have a bright future, we are also faced with various risks, difficulties, and contradictions. In these circumstances, if our party can lead the masses in forging ahead by braving storms and resolutely and properly solving problems encountered in the course of reform, we then will certainly be able to successfully surmount difficulties and gradually build a new order for the socialist commodity economy. On the other hand, if we try to avoid the contradictions and dare not go further for fear of the risks, our reform program will stop halfway. Even all our previous efforts will be wasted, with the result that we go back to the old road of poverty and backwardness we took when pursuing the product economy. Of course, we communists can only make one choice. At the crucial juncture of reform, shall we advance or regress? This is a question concerning our whole country. In Jiangxi, of course, we should make no exception. We should take the risks, face the difficulties, and receive this rigorous test. In addition to this, Jiangxi should stand another big test, and that is how to bring our province's economic and social development in line with the new situation in Guangdong, Fujian, and other coastal areas, which are opening themselves wider to the outside world. This, too, is a very realistic and acute question before us. If we succeed in solving this question, we will be able to invigorate and develop ourselves in good time and put Jiangxi's economic growth in high gear. Otherwise, we will miss a good opportunity and put ourselves in a passive position. Of these two different outcomes, we are now making strenuous efforts toward the former. Long ago, the provincial party committee and government put forth the principles of "supporting, replacing, and catching up" and "using reform to bring about development while opening up to promote economic growth." Accordingly, we have established the Ganzhou Economic Restructuring Experimental Zone and lifted the controls over the prices of meat, eggs, sugar, vegetables, and other nonstaple foods. We have expanded the economic managing power of 18 counties

and districts, abolished the quota for procurement of pigs to be delivered to the state, and cut the task of changing negotiated grain prices into fixed low prices. Furthermore, we have recently worked out an overall agricultural development program for the next 5 to 7 years. These positive measures will bring about a better and better situation in our province's economic restructuring and economic development. However, long-term and arduous efforts will have to be made if we are to really implement these principles, policies, and plans earnestly and achieve the ideal results. Meanwhile, we still have a lot of work to do in promoting the reform of our political structure and in strengthening the building of our democratic legal system and the spiritual civilization. Also, it should be noted that the anti-corruption struggle is inevitable within the party. This means that our task to improve the party style has become more prominent. We should make further steps in conducting reform, opening ourselves to the outside world, and enlivening our own economy and, at the same time, resist and eliminate corruption. On the one hand, we should lead the work of developing the commodity economy; on the other hand, we should prevent the law of exchange of equal value inherent to the commodity economy from infiltrating into our party and government organizations. This state of affairs indicates that the present task for all levels of party organizations in the province is very heavy. To shoulder this heavy task, we are all the more required to grasp firmly and successfully the work of party building, improve the political leadership of our party organizations at all levels, and give full play to their role as fighting fortresses and the exemplary vanguard role of the broad masses of party members. At the present critical period that concerns the success or failure of our reform as well as the prosperity or recession of Jiangxi, we will be most seriously derelict in our duty if we relax our efforts for party building, if our party organizations lack due fighting strength and our party members are not of an advanced nature, and if we fail to lead and unite the people throughout the province to take further steps to create a new situation of reform, openness, and modernization. This is why we say that the more we do in conducting reform and opening to the outside world, the more we need to grasp party building.

How can the work of party building be stepped up? I think the key requirement here is that "the party handles party affairs." A significant prerequisite to ensure that "the party handles party affairs" is to separate party and government functions. It is a matter of course that "the party handles party affairs." The reason that we have to further stress this now is mainly because the longstanding malpractices of making no distinction between party and government functions and substituting the party for the government have as yet to be completely eliminated. To insure that "the party handles party affairs," it is imperative to separate the party functions from those of the government. Separation of party and government functions is the prime key to the reform of the political structure and also a strategic measure for strengthening the work of party building. Since separation of party and

government functions, as a major reform in our party's leading system, involves many departments, is an important policy issue, and requires a great deal of work, it should be carried out step by step in a well-guided and orderly way. At present, I think it necessary to set forth three requirements in order to successfully separate party and government functions and make sure that "the party handles party affairs": First, party committees at all levels should strive to improve the system and style of their leadership and vigorously explore new ways to exercise political leadership. Party committees at and above the county level should raise their ability to make overall planning, control the whole situation, and coordinate with others. They should support the People's Congress, government, and judicial organ in exercising their power and performing their functions, give full play to the role of the CPPCC, and straighten out their relations with mass organizations, enterprises, institutions, and other social bodies. They should see to it that there is a clear-cut division of functions and responsibilities and each department has its own duty. If a task should be taken care of by others, they should give a free hand to the departments concerned to do it. If it should be done by themselves, they should do it well in a responsible manner. The stress of our work in the province at present should be put on doing a good job in separating party functions from enterprise management, harmonizing the relations between the party organization and enterprise management, seriously implementing the system of the plant director (manager) assuming full responsibility, truly switching the work of the enterprise party committee onto the track of guarantee and supervision, and supporting the plant director (manager) in assuming full responsibility. After the separation of party and administration, it may be inconvenient for the party secretary to do mass work outside the party if he does not hold an administrative post. In order to solve this problem, the party secretary of an enterprise, generally speaking, may serve concurrently as deputy director. In this way, he is the party secretary in charge of the party committee's work and plays a role of guarantee and supervision in the party; while administratively, he is the deputy director, which makes it convenient for him to do ideological and political work among the workers and staff members and to support the director in exercising overall leadership over the enterprise. With the implementation of the system of the administrative leaders of institutions assuming full responsibility, the party organizations of institutions should gradually shift their role to one of guarantee and supervision. At the same time, the party committees at and above the county level should also work in accordance with the demand for separating party and government, take the initiative in solving problems if the conditions for solving them are ripe, strive to raise the standards of their political leadership, and enhance their ability to keep the overall situation under control. Second, party organizations at all levels should establish a system of regular discussions about party affairs. The discussions about party affairs conducted by the party committee should not be limited to such topics as appointment and removal of cadres

with party membership, and disciplinary actions against erring party members. It should deal more with important issues, such as how to implement the party's line, principles, and policies, and issues concerning the party's ideology, organization, and work style. The regular discussions about party affairs should gradually become a constant practice and standard operating procedure. Third, party organizations, particularly the party committees at and above the county level, must spend more time and energies on investigation and study concerning party building, and pay attention to conducting experiments at selected party organizations and using their exemplary experiences in guiding party building. With the deepening of the reform at present, many grass-roots units have acquired a great deal of new experience and new methods in party building. We should find out, sum up, and popularize these experiences and methods. In the course of practice, we have also encountered many new circumstances and new problems that require us to study, explore and overcome them. Therefore, the principal responsible comrades of party committees at all levels should from now on do more in investigation and study concerning the party work and party building. At the same time, leaders of prefectural and city party committees should personally take a hand in conducting experiments at selected rural areas, enterprises, government organizations, and schools on certain important tasks concerning party building. Such important work includes handling unqualified party members, elimination of corrupt elements, reform of the personnel system related to cadres, improvement of the party work in government organs, and the building of primary party organizations in accordance with the seven "constant" demands. Experiments will bring about experience, ways, and opinions of a policy and guidance nature to effectively promote the work. I must emphatically point out here that county party committees and corresponding level party organizations should devote a considerable portion of their energies to doing a good job in the building of primary party organizations in rural areas. In this respect, the Fengcheng County Party Committee has gained and summed up some good experience. Other localities should seriously use this experience with due consideration to their own realities.

2. In the Present Party Ideological Education, It Is Necessary To Do a Good Job Particularly Regarding Education About the Current Situation, Honesty, and Discipline, and To Concentrate on Improving the Political Quality of Party Members [subhead]

There are more than 1.3 million party members, scattered on all fronts and workposts in both urban and rural areas in this province. The ideological situation and mental attitude of party members have a direct influence on the morale of the masses around them and on the progress of local reform and construction. How the party members, in playing an exemplary vanguard role, are affecting the work style and the relations between cadres and masses in a locality or an organization is different

from place to place. In this regard, I believe that you comrades working at lower levels can see it very clearly. During my recent visits in Shangrao, Yingtan and other severe disaster areas, some people said to me: "Had the party members, cadres, and PLA men not risked their lives to deal with the emergency and taken the lead in helping the people ride out the disaster, our losses would have been much heavier," and "at the crucial moment, those who did the tough job were the cadres with party membership." These remarks vividly show that many comrades among our party members are worthy of their glorious title. These remarks also show how important it is for party members to play an exemplary vanguard role. How greatly we need more and more party members to play the exemplary vanguard role at this crucial time of reform and developing a commodity economy! If our more than 1 million communists are standing in the van, we surely can pool the strength of the more than 30 million people in Jiangxi to successfully ride out the difficulties in reform and accelerate the development in Jiangxi. Fundamentally speaking, what we should rely on is ideological education and political awareness. Therefore, in party building, we should give prominence to ideological education, which is the central link, arm our party members with the party's line and basic knowledge and with the spiritual prop of "accomplishing the four modernizations to revitalize China," and make efforts to improve the ideological and political quality of the party members. At present, we should pay attention to educating the party members in the following three respects:

First, we should educate the party members so that they understand the current situation, to emancipate their minds, and to take an even more clear-cut stand in upholding and promoting reform with full confidence. We should guide the party members to use the criteria of practice and the productive forces to view things so that they can fully see the great achievements made in the 10 years of reform and eliminate their misgivings and biases about the reform. The reform that we have carried out since the 3d Plenary Session of the 11th CPC Central Committee has greatly emancipated our minds and liberated our productive forces. Compared with 10 years ago, our society is no longer a closed society of long stagnation and turmoil. It has begun to become a society full of vitality and basic stability, a society open to the outside world and daring to meet the challenges of the world. It is a fact obvious to all that our economy is growing steadily, our market is becoming more and more prosperous, and the living standards of our people are remarkably improving. Moreover, the great changes brought about by the reform are clearly reflected in every aspect of the people's livelihood and profoundly affect urban and rural residents' families. For this reason, if we know how to use the facts and the materials of sharp contrast to educate the party members, they will look at the reform with new eyes and be able to distinguish between right and wrong and give correct answers to certain issues which some people are talking about.

Furthermore, efforts must be made to guide party members to correctly analyze various current problems to strengthen their capability of psychological acceptance toward reform. We should propagate and explain with perfect assurance such sensitive issues as price and distribution, about which people are most concerned. What we are doing during reform represents the fundamental interests of the people. There is not any question that we should shun or any problem that we cannot explain clearly. It is important that we guide people to view some temporary confusion according to the objective reality that we are in an era of great change, rather than viewing this confusion as an isolated situation. These chaotic phenomena are precisely what we are trying to resolve step by step through reform. Take price reform as an example. We should explain clearly to the people that to develop a socialist commodity economy, the law of value should be applied. We should also make them understand that development of productivity was hampered in the past because price did not reflect value. Efforts must be made to explain clearly that pains and certain risks are inevitable in price reform, that the state has been trying its best to stop unauthorized price hikes and will continuously take action to ensure that people's living standard will not drop because of price reform, that the growth of the people's income level should never exceed that of the productivity level, and that, during the reform period, unearned spending is particularly not allowed. Everyone will understand and accept the necessity of reform if we explain the how's and why's clearly. On top of that, we must guide party members to see the reform with an overall, long-term, and developing view and correctly approach the adjustment of the relations between different interests during the reform and the price we must pay. We should let it be known that reform will definitely benefit society as a whole. However, it is impossible that each reform measure will immediately benefit everyone equally. It is possible that some people's interests might be temporarily affected. Therefore, we must be psychologically prepared to pay the price and make sacrifices conscientiously for the overall situation. It is necessary to make party members understand that reform is a grand-scale engineering project of the social system, which cannot be finished overnight. It involves a process of continuous development and perfecting. Every reform measure affects the nerve of society. We cannot stop just because we encounter difficulties and risks. The problems in the process of reform must be solved by means of intensifying reform. All in all, through ideological education, we must make sure that the vast numbers of party members not only realize the temporary risks and difficulties but also see the bright future. We hope they will lead cadres and the masses, with strong confidence and through exemplary action, to support, participate, and promote reform in a positive and passionate manner.

Second, it is necessary to educate party members to exercise their power and carry out official duties in a just and honest manner and firmly establish the thinking of serving the people wholeheartedly. "In order to promote

economic prosperity, the party and government organizations must be honest in performing their official duties." This has repeatedly been stressed since the convocation of the 13th CPC National Congress. Recently, the party Central Committee again issued a "circular calling on party and government organizations to be honest in performing official duties" and stressed the need to consider being honest as important and seriously and firmly adhere to the practice of being honest. Leading members of the party and government organizations at various levels of this province must not be careless about this and should fully understand the great importance of being honest in performing official duties. We should see that being honest in performing official duties is a requirement set by the character of our party and government. Under the current new situation of promoting reform, open policy, and economic prosperity, whether our party and government organizations can be honest in performing their official duties or not will have an important bearing on the people's support and success or failure of our reform program. Of course, we should have a correct judgment on the current situation of our party and government organizations. At present, generally speaking, our party is one which serves the people wholeheartedly and our government is an honest one. This is the main trend and the most basic and principal angle which must be recognized. However, there are indeed a small number of staff members and party cadres in party and government organizations who have abused their power and are involved in cases of extortion and bribery. Their behavior has directly harmed the interests of the state and the masses. We should not only affirm the "main trend" and see the bright side of the whole party but also have a correct judgment on the "small number of people" and be on guard against the dark side which might endanger the entire situation. Although there are only a small number of party members and cadres who are corrupt but the influence of their corrosion and damage to the party and government will be quite great. If we take an apathetic attitude and let them go unchecked, they will smear the image of our party and state, ruin the reputation of reform, and arouse discontent of the masses. This will artificially increase difficulties in the course of reform. Therefore, we must pay careful attention to the question of having honest party and government organizations.

In order to insure being honest in performing official duties, we must be strict with party members and enforce rigorous party discipline on the one hand and must adhere to reform and the open policy on the other hand. We should firmly adopt comprehensive measures including the most important one of seriously conducting education for the broad masses of party members on being honest in performing official duties. In order to effectively grasp education in this respect, comrades should pay attention to the following points: 1) In carrying out education on being honest in performing official duties, we should give prominence to the goal of our party. We should, through education, enable all party members to understand that we members of the

Communist Party are not seeking any special benefit and our goal is to serve the people wholeheartedly and work for the interests of the people. Being honest in performing official duties is a minimum requirement. Our party's goal will never change regardless of the stage of our society and the progress of our economic development. In other words, in times of war or peace, in times of poverty, during times when they have enough to eat and wear, or whether they are well to do, members of the Communist Party must always maintain their thinking of serving the people wholeheartedly and their style of being honest. This means "changing ten thousand times without departing from the original aim." Today, when we are promoting the open policy and invigorating our economy, the party members and cadres of our party and government organizations should all the more advocate the need of being just and honest and "be concerned about our country's difficulties ahead of the people and let the people enjoy the happiness of having a good life ahead of themselves." Some of our comrades in our organizations have rightly said: "When the masses have things they want, we will naturally have those things too. When the masses are rich, we will become rich, too. We should be clean and honest and in the end we will not be at a disadvantage." I think that so long as all our party members can have this kind of understanding and consciously fulfill the aim of our party, the question of being honest in performing official duties can be easily solved.

2) We must try to use typical cases, both positive and negative, in education to promote honesty in performing official duties. We should pay particular attention to the role played by model cadres and party members. There is a large number of fine party members and cadres at different levels of our provincial government and party who consciously perform official duties honestly. Their lofty character and outstanding deeds can often move people to tears and serve as a strong inspiration. On the other hand, degenerates who choose to do evil and commit crimes are good teaching material to provoke deep soul-searching among people. Using typical examples, especially the examples of the models, to educate party members will produce better result than asking them to read documents or attend lectures.

3) Education in honesty in performing official duties should be conducted in coordination with the efforts to establish relevant rules and regulations. Making official business known to the public is a prerequisite to maintaining a clean and honest party and government, and perfecting rules and regulations constitutes the foundation of such a party and government. Party and government departments should all draw up, as soon as possible, rigorous rules suitable to their conditions to ensure honesty and integrity. They should make party members and cadres understand what is allowed and what is not allowed in the course of reform, opening to the outside world, and developing a commodity economy. They should make them understand what constitutes a violation of party discipline, government discipline, or law. Having drawn up the rules, they should strengthen supervision and strictly enforce them so that right and wrong are clearly distinguished, rewards and punishments are fairly meted

out, honesty and integrity are encouraged, and evil-doing and corruption are eliminated.

4) In the final analysis, education in honesty in performing official duties rests on the leading cadres, who must set an example for other cadres. Example is better than precept. We principal responsible cadres at different levels, including myself, must set stricter demands on ourselves regarding honesty in performing official duties. We should start with ourselves, "examining our conduct three times a day" and "correcting our own mistakes before asking others to correct theirs." We should also welcome supervision from other comrades. At the same time, party and government organizations at all levels should make honesty and integrity the administrative goals and establish a system of responsibility by the leading bodies at various levels. We believe that if leading cadres set an example for ordinary cadres, and if party members are strict with themselves, the goal of making our party and government clean and honest can definitely be achieved. Here I need to point out that in asking party and government organizations to act honestly, we do not mean to demand excessive or inflexible control over enterprises in the conduct of business according to the law of commodity economy. In short, our demand is: Be strict with party and government organizations but liberal with enterprises; rectify party style while invigorating the economy.

Third, we should educate party members to stress party spirit, take the overall situation into consideration, observe discipline, and take the lead in safeguarding party and government authority. Reform is a mass undertaking with the masses serving as the principal executors. We must firmly rely on the wisdom and efforts of the masses if we want to overcome the hurdles of reform in the next few years. However, to mobilize and organize the masses, we must firmly safeguard the authority of the leadership and the authority of the party and government. History has long demonstrated that in China the CPC and the people's government under its leadership are the authority that truly represents the interest of all Chinese people and is capable of uniting the will of the nation. At this critical stage of reform, we can overcome the difficulties only if all of us unite to safeguard the authority of our party and government and implement their policy decisions. Presently the overwhelming majority of our party members and cadres have acted in this way. However, there are some who trust the party and government and firmly enforce their policy decisions only when the situation is good and the work successful, but become skeptical, hesitant, and wavering when the cause pioneered by the party and government encounters difficulties or involves risk, or when their personal and partial interests are in conflict with the general interests. Some even stand by as if they were onlookers, complaining irresponsibly or criticizing unjustifiably. Such action actually affects the implementation of the correct line and is demoralizing to the people. Therefore, in educating party members, it is necessary to stress party and government authority, law, discipline, and order so that they will be aware of the

importance of strengthening, not weakening, party and government authority, discipline, and law and order at the current critical moment. All party members in Jiangxi must comply with at least the following two requirements: First, they must resolutely support, with understanding and concrete actions and in all seriousness, the determination and policy decisions of the party Central Committee and the provincial party committee and government to tide over during the difficulties of reform. Second, they must, with a profound sense of political responsibility, show concern for and unite the masses of people. Party members should become the close friends and leaders of the masses, standing in their vanguard and teaching them to obey party and government leadership and correctly handle the relationship between national, collective, and individual interests, thereby jointly safeguarding political stability and unity. At the moment, for example, they should mobilize the masses in rural areas to ensure the fulfillment of this year's contracted grain procurement tasks and in urban areas to exercise supervision over commodity prices; in enterprises, they should lead the workers and staff in supporting the reform with concrete actions through raising economic efficiency. These are a few practical problems that party members and cadres should take the initiative to solve them.

3. Step Up Reform of Party Building, Focusing on Increased Openness and Strengthening of Democratic Supervision [subhead]

The 13th CPC National Congress explicitly pointed out: "Party building must undergo changes to suit the new circumstances brought about by reform and the open policy." Along with the implementation of reform and the open policy and perfection of democracy, we have done away with the previous rigid pattern in our institutions and enlivened the economic and political life. Especially the masses of people have shown an emancipated mind, increased awareness of reform and concept of democracy, and greater enthusiasm in participating in and discussing political affairs. In view of such an encouraging situation, we should discontinue the use of obscure and closed methods for party building and for the work related to cadres. Such methods, which do not reflect the party's principle of democratic centralism and the mass line in a real sense, engender privileged mentality and power abuse, and give impurified party members opportunities to engage in evil practices. The central leading comrades, in their recent speeches on party building, the work related to cadres, and clean party and government organs, repeatedly emphasized the questions of "openness, fairness, and supervision." Of these questions, "openness" is the most important because only "openness" in everything can ensure fairness and supervision. Hence, changes in party building must be made in line with the principle of openness. From now on, we should adopt more democratic and open methods to make party affairs and activities and the work related to cadres more visible to the public, and to really place

party cadres and leading organs at all levels under the supervision of the vast number of party members and the masses of people. At the present, we should do a good job in the following fields:

First, we should improve inner-party democratic life so that it can more effectively reflect the principles of collective leadership and democratic centralism.

Party committees at and above the county levels should work out and improve relevant rules of debate, procedures for voting, and the system of democratic meetings as soon as possible. They should bring into better play the role of plenary sessions in making policy decisions and exercising supervision while continuing to perform the powers and functions of the standing committees. The number of members in local party committees at all levels should be gradually reduced, and their structure rationalized; the frequency of their plenary sessions should be increased, and the quality of their discussions and policy decisions improved. The standing committees should execute resolutions made by the plenary sessions, hold themselves responsible and report the work to the plenary sessions, and accept their supervision. In making decisions at standing committee meetings, the minority must obey the majority. Once a decision is made, it must be carried out by all; individual members may reserve different opinions, but they have no right to change a decision before revision is made. The standing committees should convene democratic meetings at least twice a year, and they should guard against perfunctoriness in making criticism and self-criticism. In electing new party committees, it is necessary to uphold the system of multiple candidates to educate and supervise cadres through lively democratic meetings.

Second, we should clear and widen democratic channels to let party members and the masses better understand and participate in party activities. For example, regularly briefing party members on important matters, leading cadres making reports on their work to the public, organizing party members and cadres to appraise the work of leading organs and cadres are all good ways of subjecting oneself to democratic supervision and should be promoted actively. At the same time, party committees should make decisions in a more democratic and scientific manner. Before a party committee makes an important decision, it should conscientiously hear the opinions of grass-root party organizations, the vast numbers of party members, the local party advisory commission, and old comrades and solicit the opinions of the local people's congress, CPPCC committee, various democratic parties, and the masses. All party activities that can be made known to the public should be reported in newspapers. By doing so, the media can play a more effective role in supervising party activities. Third, we should improve the management of party members and the way of selecting cadres according to the principles of democracy, openness, free competition, and democratic supervision. The important thing to do at present is to

establish a scientific and well-designed evaluation system. This system should be able to organically integrate the evaluation of, education for, rewards and penalties for, and management of party members and cadres. In establishing such a system, we should ensure that it will be scientific, feasible, standardized, and systematic so that there will be rules to follow in every aspect of evaluating and managing party members and cadres. After the system is established, it should be truthfully put into practice by units at all levels under the supervision of the authorities at a higher level. In evaluating party members' and cadres' performance, we should take into consideration both their daily performance and year-end appraisal results, and take into account the evaluation of the higher authorities and the opinions of the masses, in order that correct criteria for promotion can be established, the policy of "making the ranks of cadres more revolutionary, younger in average age, better educated, and professionally more competent" can be carried out thoroughly, the mechanism of competition can gradually be introduced to the management of cadres, and cadres can compete on equal basis. Based on the results of evaluation, we should be able to decide one's ability and personal integrity mainly by one's performance and deeds, and to tell one's competence and incompetence by one's achievements. We should promote those who deserve promotion, commend those who should be commended, criticize and reeducate those who need it, and sternly handle those who ought to be punished. After the system is established and if it is properly enforced, we will be able to improve the daily management of party members and cadres, make cadre and personnel management work more democratic, effectively reduce or prevent unhealthy practices, fully arouse the working enthusiasm of the vast numbers of cadres, let those who have both ability and political integrity better show their talents, and give a spur and good education to those who are indifferent to the party's affairs and the people's well being, and who do not do meaningful work but seek personal enjoyment and gains. One more thing to be pointed out here is that one of our current main jobs is to eliminate the mysteriousness of our cadre management work and make it better known to the public. Things that need to be made known to the public should be, and yet things that need to be kept secret must be kept secret. Currently, the arrangement of the work of cadres by some party committees or organization departments is made known to the public before any decisions are made. This is a very bad thing. We should pay great attention to this and try to improve the situation.

In recent years, Jiangxi has made considerable progress in making reforms, and its economy has also developed rapidly. This should be attributed to the common efforts by the comrades of the organization departments at all levels in the province. A heavy task of party building and cadre management work is lying before us. This is a major event of the whole party. Responsible comrades of party committees at all levels should personally take charge of the work, and all departments of a party committee should join forces to support the work. The

organization department of a party committee in particular has a more direct and specific responsibility in this work. Here I wish to express my three hopes to you: First, I hope all of you will further the study of the basic theories of Marxism, strengthen your understanding of the documents of the 13th National CPC Congress, enhance your understanding of the party's basic line and its organization work in the new period, emancipate your minds, change the old way of thinking, be more reform minded, and actively seek new ways to improve party building and cadre management work. Second, I hope all of you will further enhance your party spirit and strive to raise the level of your political consciousness and vocational ability. I especially hope you will foster good vocational ethics; be fair, upright, honest, selfless in doing your job; and treat people by their ability and merits. Third, I hope all of you will further improve your work style, go deep to the grassroots and masses, plunge into the practice of reform and development, conduct more investigations and studies, have more contacts with people related to your work, and sum up more new experiences. By doing so, I am sure that a new dimension will be created in the work of Jiangxi's organization departments.

That is all. Thanks to all of you.

Shandong CPPCC Standing Committee Meets
SK3108083388 Jinan Shandong Provincial Service
in Mandarin 220 GMT 30 Aug 88

[Text] The Third Standing Committee meeting of the Sixth Provincial CPPCC Committee opened at the Jinan Nanjiao Guesthouse on 30 August.

The major subjects of discussion at the meeting are hearing the report on the work situation of our province in the first 7 months of this year and on the plan for the work in the next 5 months delivered by a responsible comrade of the provincial government; consulting on and discussing the issue concerning CPPCC members offering suggestions and putting forth strength to implement the economic development strategy for coastal areas; examining, discussing, and approving the rules and systems for strengthening the self-construction of the provincial CPPCC Committee; and approving items on appointments and removal of personnel of the provincial CPPCC committee office and the committee for (? social politics and law).

Li Zichao, chairman of the provincial CPPCC Committee, presided over the meeting and made a speech at the meeting.

He said: Over the past 6 months since the founding of the Sixth Provincial CPPCC Committee, the committee has concentrated attention on work in three fields.

First, work organs were readjusted and strengthened, and the CPPCC organizational construction was strengthened.

Second, rules and systems in six fields were formulated through discussions. Thus, the work of the CPPCC has become more institutionalized and regularized.

Third, with the focus on economic construction, the committee has successively organized investigation and theoretical study on implementation of the economic development strategy for China's coastal areas, and also organized some specialists and scholars to engage in the study and appraisal of the work of developing the Huang He delta launched by the provincial government.

Comrade Li Zichao said: The Sixth Provincial CPPCC Committee has made a good beginning in its work. On the basis of this foundation, we must redouble our efforts to closely serve the central tasks of the party and the government, bring into full play the special characteristics and advantages of the CPPCC, and make new contributions to accelerating and deepening reform and promoting the development of all undertakings.

(Xu Pengxian), secretary general of the provincial CPPCC Committee, made brief explanations of the draft rules for the work of the Sixth Provincial CPPCC Committee Standing Committee and the draft general rules for organizing the special commissions under the Sixth Provincial CPPCC Committee that will be submitted to this Standing Committee meeting for examination and discussion.

Attending the meeting were vice chairmen of the provincial CPPCC Committee, including Kong Lingren, Ding Fangming, Jin Baozhen, Yang Da, Wu Fuheng, Wu Miggang, Wang Zunong, and Miao Yongming.

Shanghai Acts To Check Wave of Panic Buying
OW3108080388 Beijing XINHUA in English
0628 GMT 31 Aug 88

[Text] Shanghai, August 31 (XINHUA)—The government in Shanghai, China's largest city with a population of over 10 million, is acting to contain a wave of panic buying.

A city government official said that the government will increase the production of 21 daily goods including TV sets, bikes, refrigerators, washing machines and sewing machines.

The government has also decided to supply the market with goods worth 270 million yuan in the coming days and sell at a lower price 720-million-yuan-worth 2,000 kinds of goods in stock to cool panic buying.

"We are sending more officials to supervise commercial activities in the market to better check speculators and profiteers," the official said.

Shanghai Shipping Fleet Increases Profits
OW3008193088 Beijing XINHUA in English
1503 GMT 30 Aug 88

[Text] Shanghai, August 30 (XINHUA)—The Shanghai Jin-Jiang Shipping Corp. Ltd., a non-governmental fleet, is proving a moneymaker.

Last year the corporation made a profit of 3.65 million yuan and earned 4.3 million yuan in foreign exchange earnings.

This year the profits are expected to be five percent higher while foreign exchange earnings should be up 16 percent.

The corporation, a joint undertaking of the Shanghai Jin-Jiang Hotel, the Shanghai Maritime Transport Bureau, the Shanghai Industrial and Commercial Patriotic Construction [as received] and the Shanghai Investment Trust Corporation, owns eight ships and 1,200 containers. It is acquiring three more ships this year.

The corporation has bought shares in Hong Kong firms to lease ships and containers and canvass orders.

The corporation earns each year about four million H.K. dollars from orders from Third World countries and 600,000 U.S. dollars from container leasing.

Central-South Region

'Heavy Rains' Force Evacuation in Guangxi
OW3008163088 Beijing XINHUA in English 1515 GMT
30 Aug 88

[Text] Beijing, August 30 (XINHUA)—More than 100,000 people have to evacuate their homes after heavy rains have caused the worst flooding of the Hongshui and Liujiang Rivers in south China since the founding of New China in 1949.

Yang Zhenhuai, deputy head of the Central Flood Control Headquarters and minister of water resources, said that an emergency meeting was held this afternoon and that local flood control offices have been asked to speed up evacuation and prepare for a worsening situation.

The two rivers flow into the Xijiang River, a major tributary of the Pearl River, one of the seven largest in China.

The areas affected include northern Guangxi Zhuang Autonomous Region and southern Guizhou Province.

According to the Central Flood Control Headquarters, the flood peak on the Hongshui River passed the Tianer Station at 6 pm [0900 GMT] yesterday with a flow of 17,900 cm per second. The water level reached 240.82 meters.

The water level recorded at 11 am [0200 GMT] today at the Liuzhou station on the Liujiang River was 86.54 meters with a flow of 22,700 cm per second.

The flood peak is expected to hit tomorrow afternoon with the flow increasing to 29,500 cm per second and the water level rising to 90.5 meters.

Liuzhou City, with a population of 500,000, is only 87 to 88 meters high above the sea level. More than 100,000 people are ready to evacuate.

Waters Rising in Liuzhou City
*OW3108112588 Beijing XINHUA in English 1103 GMT
31 Aug 88*

[Text] Nanning, August 31 (XINHUA)—The industrial city of Liuzhou in the Guangxi Zhuang Autonomous Region was hit Tuesday evening by the worst floods since 1949, officials from the local flood control offices told XINHUA.

According to them, the water level recorded at 5 a.m. today at the Liujiang River was 88.96 meters with a flow of 26,400 cubic meters per second, 8.96 meters above the warning line.

A second flood peak was expected to hit this afternoon, with the water level rising to over 90 meters.

Other areas affected include the northern part of Guangxi and the southern part of Guizhou Province.

Liuzhou City, with a population of 500,000, is only about 88 meters above sea level. Earlier reports said that more than 100,000 people were ready to evacuate the flood-threatened region.

The city's daily life and production have been seriously affected, with a great number of factories stopping operation and schools suspending classes. So far no casualty has been reported, officials said.

The officials said the worst flooding in 40 years of the Hongshui and Liujiang Rivers was caused by heavy rains in southern China. Both of the rivers flow into the Xijiang River, a major tributary of the Pearl, which flows through Guangzhou, capital of Guangdong Province.

Hainan Representative Conference Meeting Ends
*HK3108095888 Haikou Hainan Provincial Service
in Mandarin 1000 GMT 30 Aug 88*

[Excerpt] The First Session of the Hainan Provincial People's Representative Conference Standing Committee was held at the Qiongyan Guesthouse from the morning of 28 August through 29 August.

Standing Committee Chairman Xu Shijie presided over the meeting. Its deputy chairmen, (Pan Chongxin), (Tan Wenhua), (Yang Wengui), (Lin Ying), (Huang Daozhong), and (Hu Peiguang), also attended the meeting.

The meeting examined and approved a decision by the Hainan Provincial People's Representative Conference Standing Committee on setting up working organizations. It also examined and approved a decision on the name list of the secretary general and deputy secretaries general of the Hainan Provincial People's Representative Conference Standing Committee, the director and deputy directors of its working committees, and the director and deputy directors of its general office; the name list of the president of the Provincial Higher People's Court, chief procurator of the Provincial People's Procuratorate, presidents of intermediate People's Courts, and chief procurators of people's procuratorate branches; and the name list of those who are in charge of departments, bureaus, and commissions under the Provincial People's Government, and its general office. The meeting decided on setting up some offices for the Provincial People's Representative Conference Standing Committee including its general office, its legality commission, its letters and inquiries reception commission, its science and technology commission, its literary and art work commission, its rural work commission, its commission for nationalities and religious affairs, and its commission for overseas Chinese and foreign affairs. [passage omitted]

Haikou Begins Building Four Development Zones
*OW3008142988 Beijing XINHUA in English 0934 GMT
30 Aug 88*

[Text] Haikou, August 30 (XINHUA)—Haikou, the capital of China's newest province—Hainan Island—has begun construction of four development zones designed primarily for overseas investors.

Sixty-two enterprises from Japan, and Taiwan and other parts of China have agreed to participate in building the Binhai Boulevard Financial and Trade Zone.

Technologically advanced and export-oriented factories will be concentrated in the 16.5 sq km Jinpan Industrial Development Zone, the largest of the four.

Beijing and Haikou will jointly build a new technology development sub-zone there.

The Hong Kong and Macao International Investment Co. Ltd will be responsible for building and managing the 3.2 Sq km Yongwan Industrial Development Zone west of Haikou.

The zone will focus on the development of textile, plastics, electronics, foodstuff processing and light industries.

Commercial and service facilities will be built on the 6.5 sq km Eastern Development Zone on Haidian Island, north of Haikou.

The zone will house apartment buildings, representative offices of other provinces in Hainan, banks, office buildings, recreational facilities, and cultural and educational establishments.

Provisions for Hainan Investment
OW3008161788 Beijing BEIJING REVIEW in English
29 Aug-4 Sep 88 pp 26-28, 30

[Text] Provisions of the State Council of the People's Republic of China for the Encouragement of Investment and Development in Hainan Island

(Promulgated on May 4, 1988)

(Unofficial Translation)

Article 1

The present provisions are hereby formulated to facilitate attraction of both domestic and foreign investment and to accelerate the development and construction of Hainan Island.

Article 2

For the Hainan Special Economic Zone, the state has adopted a more open and flexible economic policy and grants the People's Government of Hainan Province a greater measure of autonomy.

Article 3

The state encourages both domestic and foreign enterprises, other economic entities and individuals (hereinafter referred to as investors) to invest in and develop Hainan Island, and to engage in different kinds of economic and social activities.

Article 4

The state protects the legitimate rights and interests of the investors in accordance with the Chinese law. The state shall not nationalize nor expropriate the property of the investors. The state shall only nationalize or expropriate the property of the investors under special circumstances where the needs of the public and society dictate such actions. Under such circumstances, the state shall nationalize or expropriate the property of the investors by following legal procedures and providing appropriate compensation.

The investors must abide by the Chinese laws and regulations.

Article 5

The investors may invest in or run their business in Hainan Island under the following arrangements:

- (1) Establishing Chinese-foreign equity joint ventures, Chinese-foreign contractual joint ventures and wholly foreign-owned enterprises (hereinafter referred to as enterprises with foreign investment) and other kinds of enterprises that are permitted by the law. The operational period of each enterprise shall be decided by its partners and specified in the contract or shall be approved by the relevant department in charge;
- (2) Buying negotiable securities like stocks and bonds;
- (3) Taking over the operation of an enterprise by purchasing, and injecting new capital or contracting, and leasing; and
- (4) Adopting any internationally accepted commercial practice to promote economic and technological cooperation and exchange.

Article 6

The land-use right of all state-owned land on Hainan Island is open to paid-transfer.

The Hainan provincial government may, according to the law, lease the land-use right of a piece of state-owned land to the investor. Different pieces of land may have different lengths of tenure, depending on the type of industry and the specific conditions of individual projects. However the maximum tenure is 70 years and is subject to extension upon approval if necessary.

Investors are allowed to transfer their land-use right according to the relevant provisions.

Article 7

Mineral resources in Hainan Island may be explored with compensation in accordance with the law. With regard to the exploration of those mineral resources specified in state provisions, an application for exploration shall be submitted for approval to the state department in charge. The application for exploration of other mineral resources shall be submitted to the Hainan provincial government for approval. The investors are permitted to conduct prospecting and exploration for mineral resources by establishing equity joint ventures, contractual joint ventures or wholly foreign-owned enterprises.

Article 8

The investors may invest in such infrastructural facilities as docks, harbours, airports, highways, railways, power stations, coal mines and water conservancy projects through equity joint ventures or contractual joint ventures. They may operate specific infrastructural facilities for special purposes through their wholly foreign-owned

enterprises. By following the relevant state provisions, investors are allowed to invest in different types of enterprises and businesses offering series related to the above-mentioned infrastructural facilities so that they may manage their infrastructural facilities by offering comprehensive services.

Article 9

Depending on the needs of economic development and subject to the approval of the People's Bank of China, investors may be permitted to establish foreign-owned banks, Chinese-foreign joint venture banks or other financial institutions in Hainan Island.

Article 10

All establishment applications for economic or public service activities in Hainan Island are subject to examination and approval by the Hainan provincial government. If scope and the total amount of investment of the activity concerned exceed the approval limits authorized by the state to the Hainan provincial government, special application shall be made according to the procedures set by the state.

Article 11

The Hainan provincial government is authorized to examine and approve the import of construction materials and production and management equipment to be used as investment by an approved enterprise, the raw materials, parts, packing materials and other materials for use in production or business operation of an enterprise and the transport facilities and office supplies (for official use) of an enterprise.

Article 12

The income derived from production and business operations and the income derived from other sources by an enterprise established in Hainan Island (except state banks and insurance companies) are subject to a 15 percent corporate income tax and an additional 10 percent local surtax, of which:

(1) Enterprises engaged in the construction of such infrastructure facilities as docks, harbours, airports, highways, railways, power stations, coal mines and water conservancy projects, as well as the development of agriculture, and with a minimum operational period of 15 years shall be exempt from the corporate income tax for the first five profit-making years, followed by a 50 percent reduction of the said tax in the next five profit-making years;

(2) Enterprises engaged in productive industries such as manufacturing, communications and transportation with a minimum operational period of ten years shall, starting from their first profit-making year, be exempt from the corporate income tax for the first two years,

followed by 50 percent reduction of the said tax in the next three years and, those enterprises which have been accorded the status of "technologically advanced enterprise" shall enjoy 50 percent reduction of the corporate income tax for another three years;

(3) Enterprises engaged in such productive operations as industry and agriculture, whose output value of export products in a year amounts to 70 percent or more of the total output value of all products for the same year may continue to pay their corporate income tax at a 10 percent reduced tax rate after expiration of the exemption and reduction periods as stipulated;

(4) Enterprises engaged in the service industry with a total investment of more than US\$5 million or 20 million yuan and a minimum operational period of more than ten years shall be exempt from the corporate income tax for the first profit-making year, followed by a 50 percent reduction of the said tax in the second and third profit-making years.

The Hainan provincial government may grant exemptions and reductions of the local surtax to enterprises established in Hainan Island.

Article 13

Except those overseas investors who have been granted exemptions according to the law, other overseas investors with no establishments in Hainan Island are subject to a 10 percent income tax on dividends, interest, rentals, royalties and other income obtained in Hainan Island. The People's Government of Hainan Island is authorized to grant exemptions and reductions on such income if necessary.

Article 14

In Hainan Island, both enterprises with foreign investment and enterprises with 25 percent foreign equity share enjoy the right to engage in import and export businesses. Other enterprises may enjoy the same right to import materials needed for their own production and operations, and to export their own products subject to approval by the Hainan provincial government.

Article 15

Enterprises in Hainan Island are exempt from customs duties and product tax or value-added tax for imported machinery and equipment, raw materials, parts, communications and transportation facilities and other materials, as well as office supplies needed by the enterprises for their own construction and production uses.

Goods imported by enterprises in Hainan Island for sale on the island are subject to customs duties and product tax or value-added tax at half the original rate.

Article 16

The state encourages enterprises in Hainan Island to export their products which have been specified in the state provisions, export products of enterprises in Hainan Island are exempt from export customs duties. For those export products for which product tax or value-added tax have already been paid, the enterprises concerned are entitled to a refund of the paid tax.

Article 17

Most of the products produced by enterprises in Hainan Island are exempt from product tax or value-added tax when they are sold on the island except mineral oil, cigarettes, wine and some products which have been specified in the state provisions. Mineral oil, cigarettes, wine and those specified products are subject to product tax or value-added tax at half the original rate. Imported materials and parts used in products made by enterprises in Hainan Island and sold in other regions in China may be exempt from customs duties and product tax or value-added tax or may be allowed to make up for the payment of customs duties and product tax or value-added tax subsequently in accordance with the provisions stipulated in Article 15.

Enterprises are free to sell their products in other regions in China unless their products are those whose import is restricted by the state. In the latter case, the import of such products is subject to approval according to the state provisions. For ordinary products, enterprises shall pay the product tax or value-added tax according to the provisions when the products are sold in other regions in China; materials and parts used in products produced by enterprises in Hainan Island are required to make up for the payment of customs duties and product tax or value-added tax subsequently according to the provisions when the products are sold in other regions in China.

Enterprises with foreign investment in Hainan Island may apply for "import substitution" treatment when the enterprises sell their products in other regions in China and the products are qualified under the state provisions for import substitution.

Article 18

Enterprises in Hainan Island are allowed to retain all their foreign exchange income in cash including income from export products and other business activities subject to the administration of the local people's Bank of China.

Enterprises are allowed to trade foreign exchange in the foreign exchange adjustment (swap) centers in Hainan Island or other regions in China so that they may balance their foreign exchange accounts.

Article 19

Overseas investors are free to remit profits abroad through the foreign exchange accounts of their enterprises in Hainan Island. No remittance tax will be levied.

Overseas investors who reinvest in China their share of profits derived from their enterprises in Hainan Island for a period of no less than five years are entitled to a refund of 40 percent of the income tax already paid on their reinvested portion. In case the reinvestment is made for the construction of infrastructure facilities or enterprises engaged in the development of agriculture in Hainan Island as well as the establishment or expansion of export-oriented enterprises and technologically advanced enterprises, the investors are entitled to a 100 percent refund of the income tax already paid on their reinvested portion.

Domestic investors are free to remit profits derived from their enterprises in Hainan Island to other regions in China. Their remitted profits are exempt from income tax for ten years starting from their first profit-making year.

Article 20

All foreigners from regions and countries which have diplomatic relations or formal trade relations with China who plan to stay in Hainan Island for investment or business negotiations, economic and technological exchange, visiting relatives or travel for a period of not more than 15 days, may directly go through visa application formalities at the port of Haikou or Sanya. Visitors with a valid reason may apply for extensions or extra visas if they wish to extend their stay in Hainan Island or to travel to other parts of the country according to the relevant provisions.

Multiple-entry visas may be issued by the relevant departments of the People's Government of Hainan Provincial on the basis of an application submitted by foreigners stationed in Hainan Island, foreigners who invest in enterprises in Hainan Island or participate in the development of Hainan Island and their family members.

Article 21

With respect to entry to and departure from Hainan as well as transit to other parts of the country, no visa application is required from compatriots from Hong Kong, Macao and Taiwan and overseas Chinese who carry valid passports or other travel documents issued by the departments in charge under the Chinese State Council or by other authorized departments. Compatriots from Taiwan may apply for the "Travel Certificate for Compatriots from Taiwan" directly at ports of Hainan Island.

Unless otherwise stipulated by the state, the Hainan provincial government is authorized to examine and approve the exit applications of Chinese personnel of

Chinese units in Hainan Island when these units concerned send economic, trade or travel organizations abroad to establish enterprises.

Article 22

Matters not stipulated in the present provisions shall be dealt with by the People's Government of Hainan Province by referring to the relevant state regulations on Special Economic Zones.

Implementational measures for the present provisions shall be jointly formulated by the departments in charge under the State Council and the People's Government of Hainan Province.

Article 23

The present provisions shall go into force as of the date of their promulgation.

Hong Kong

Reportage on Crash of PRC Airliner at Kai Tak

Hong Kong Radio Report

HK3108041588 Hong Kong Domestic Service
in English 0400 GMT 31 Aug 88

[Text] It's now known that six people have been killed in an airliner crash at Kai Tak. The plane, a CAAC [Civil Aviation Administration of China] Trident, plunged off the runway into the sea while arriving from Canton. Reporting from the airport is Katherine Napier:

[Begin recording] It's just been confirmed that 6 people have died in the crash and 14 others have been taken to hospital. Earlier it was thought that there were three dead but officials now say the bodies of three passengers unaccounted for have been recovered from the wreckage of the aircraft. Seventy people were rescued uninjured.

The British Aerospace Trident, CAAC flight number 301 from Canton, crash-landed at 0920 this morning, skidding left off the runway into the typhoon shelter. Visibility is down to a few hundred yards but the nose and tail of the aircraft can be seen from the airport buildings. A full-scale emergency operation was immediately mounted, and the injured have been taken to the Queen Elizabeth Hospital. The airport was closed following the crash and a huge backlog of passengers has now built up in the departure area. Incoming flights have been diverted to other Asian cities including Canton, Manila, and Kao Hsiung in Taiwan. Officials say it's not known how long the airport will remain closed, but it is likely to be for some time. This is Katherine Napier reporting for RTHK [Radio Television Hong Kong] from Kai Tak. [end recording]

Fatalities All Crew Members

OW3108103788 Beijing XINHUA in English
1019 GMT 31 Aug 88

[Text] Hong Kong, August 31 (XINHUA)—The six killed in the air crash here this morning were all crew members, local radio reported.

A Chinese jetliner carrying 89 people skidded into the sea right after touching the land at Hong Kong's International Airport in pouring rain at 9:19 am (local time), a government announcement said.

The Trident jet broke apart and was partially submerged in the sea water.

Of the 13 injured passengers and crew members, one has already been released from the hospital and most of the others are in fair condition, according to government sources.

A hospital official identified one of the injured as Jean Allengre of France and the rest are Chinese.

According to a statement released by CAAC's public relations representative, all the 70 uninjured passengers are presently being cared for in the Airport Terminal Building.

An investigation into the accident involving different parties concerned is being carried out.

Guangzhou Radio Report

HK3108052188 Guangzhou Guangdong Provincial
in Mandarin 0400 GMT 31 Aug 88

[Text] According to the latest report from Hong Kong, this morning a passenger plane belonging to the Guangzhou Civil Aviation Company plunged off the runway into the sea while landing at Hong Kong's Kai Tak Airport, and 11 people are missing.

At 1030 Beijing summer time today an airliner, Flight Number 301 from Guangzhou, was landing at Hong Kong and taxiing along the runway in a thunderstorm and rain, when it plunged off the runway into the sea due to low visibility. The 89 people on board all plunged into the water.

The Kai Tak Airport authorities took rescue action immediately. Up to now 78 people have been rescued and 11 are still missing.

The British authorities in Hong Kong also sent frogmen and helicopters to the spot to join the rescue operation. At present Kai Tai Airport is temporarily closed, and airliners from various countries heading for Hong Kong have been diverted to Guangzhou City's Baiyun Airport.

Rescue Team at Work

HK3108050288 Hong Kong XINHUA
in English 0424 GMT 31 Aug 88

[Text] Hong Kong, August 31 (XINHUA)—Six persons were killed after a CA301 passenger plane of CAAC ran into the sea off the Hong Kong Airport runway at about 9:30 am this morning, according to local government sources.

Of the 83 people rescued so far, 13 have been sent to a local hospital by helicopters and 70 were uninjured, according to the latest reports from the airport.

The reports, also said there were a total of 89 people on board the aircraft, comprising 78 passengers and 11 crew members.

The rescue team is still working at the scene. At the same time, the British forces in Hong Kong have provided five Wessex helicopters to transport casualties and a landing craft to assist in moving equipment.

Americans Said Among Passengers
HK3108063488 Hong Kong AFP in English
0611 GMT 31 Aug 88

[Text] Hong Kong, Aug 31 (AFP)—Twelve Japanese nationals were on board the Chinese airliner which crashed into Hong Kong harbour Wednesday, Japan's deputy consul general in Hong Kong, Masaki Saito, told AGENCE FRANCE-PRESSE.

None of the Japanese aboard the plane was harmed in the crash, in which six people were killed, Mr Saito added.

The Hong Kong Government said earlier it was believed that the nine men and four women injured included one Frenchman and 12 ethnic Chinese of unknown origin. A source close to the French consulate here, however, said the Frenchman had escaped unharmed.

Unofficial sources also said that an American man, his wife and mother were also aboard.

Beijing News Agency Account
HK3108075388 Beijing ZHONGGUO XINWEN SHE
in Chinese 0640 GMT 31 Aug 88

[Text] Hong Kong, 31 Aug (ZHONGGUO XINWEN SHE)—An airliner of the Civil Aviation Administration of China [CAAC] from Guangzhou crashed into Kowloon Bay this morning when landing at Hong Kong Airport. According to a report filed at 1230 today, the air crash resulted in 6 dead and 13 injured, with the 70 other passengers on board remaining safe. The six dead have yet to be identified. This is the only air traffic accident occurring at Hong Kong Airport to result in injuries and deaths in the past 22 years.

The Trident airliner CA301, coming from Guangzhou with 78 passengers and 11 crew members on board, was scheduled to land in Hong Kong at 0900. Witnesses reported that the plane was seen crashing into the water near Kowloon Bay when it was trying to land on the runway of Hong Kong's Kai Tak International Airport. The plane broke into three parts during the crash.

Kai Tak Airport has been closed since 0934, all normal landing and takeoff operations have been suspended, and more than 50 scheduled flights have been canceled.

Many Hong Kong policemen and firemen and five helicopters rushed to the scene to carry out rescue operations. One of the 13 people hospitalized in Queen Elizabeth Hospital is in critical condition.

The weather was bad in Hong Kong this morning. According to the observatory, due to the dual effects of high-altitude air current disturbances and the southwesterly monsoon, rainfall ranging from 20 to 40 mm has

been recorded in many places in Hong Kong since midnight at night, and 55 mm of rainfall has even been recorded in Cheung Chau Island.

Beijing Radio Report
OW3108081688 Beijing Domestic Service
in Mandarin 0700 GMT 31 Aug 88

[Text] A CAAC [Civil Aviation Administration of China] passenger plane crashed in Hong Kong today. Among the 89 people on board the plane, 6 were dead, 13 injured, and 70 unharmed. The plane, a British Aerospace Trident with the flight number CA-301, departed from Guangzhou for Hong Kong shortly after 0800 and arrived at Kai Tak Airport at 0900. The plane fell into the sea when it tried to crash-land in the midst of heavy rain, the body breaking into two parts.

The rescue operation has ended, but the airport is still closed to all traffic. It is believed that the airport will not open until early this evening.

A Taiwan passenger said that the plane circled over the airport for quite a while before landing. While taxiing along the runway, the plane hit the ground twice before its nose and front cabin fell into the sea. He climbed out of the cabin from the wing.

(Chen Jinyou), head of the CAAC station at Kai Tak Airport, said that the cause of the crash is still under investigation.

Kai Tak Airport Reopened
HK3108082188 Hong Kong Domestic Service
in English 0800 GMT 31 Aug 88

[Excerpt] Kai Tak Airport has just been opened following this morning's plane crash there. A Cathay Pacific plane landed a short while ago followed by a Swissair aircraft. Meanwhile China's national airline CAAC [Civil Aviation Administration of China] has blamed bad weather for the accident. Six people, five crew members and a passenger, died when the CAAC Trident skidded off the runway into the harbor. Fifteen others were injured while the remaining 68 people on board escaped injury. The plane was arriving from Canton. At the scene is Andrea McLoughlin and she's on the line now:

[Begin recording] As we speak there is another plane landing at Kai Tak Airport; that makes three within the past 5 minutes, the first a Cathay, the second a Swissair. As for the semi-submerged wreck, a bunch of cables has been passed round the circumference of the plane, that is the circumference that is sticking out of the water, and that has been connected to a large 50 m high floating crane. The plane moved into place across the narrow waterway that separates the crash site from Kowloon Bay dock area at about 1400 [0600 GMT] This afternoon, and workmen standing on the wings have spent the last 2 hours actually connecting those cables to the crane. On

the tarmac ambulances, fire trucks, army trucks, Civil Aviation Department rescue vehicles, lines of police and, most recently arrived, a fleet of luggage removers from the airport stand waiting. [passage omitted] [end recording]

Delegate to Sino-British Land Committee Named
OW3008081288 Beijing XINHUA Domestic Service
in Chinese 1206 GMT 29 Aug 88

[Text] Hong Kong, 29 Aug (XINHUA)—Sun Yanheng, chief delegate from the Chinese side to the Sino-British Land Committee, announced that Wu Liangxing, senior researcher of the Economic Department of the XINHUA Hong Kong branch, has been appointed as a delegate from the Chinese side to the Committee, succeeding Zhong Ruiming. Wu has been appointed concurrently as member of the Land Fund Trust and Investment Committee of the Government of the Hong Kong Special Administrative Region.

Sun Yanheng also announced that all trustees of the Land Fund Trust of the Government of the Hong Kong Special Administrative Region, after consulting the Trust and Investment Committee, appointed Zhong Ruiming as the administrative president of the Fund Trust, effective 1 September 1988.

Chief for Hong Kong Land Fund Trust Appointed
OW3008122688 Beijing XINHUA in English
0753 GMT 30 Aug 88

[Text] Hong Kong, August 30 (XINHUA)—The Hong Kong Special Administrative Region Government Land Fund Trust will have Chung Shui Ming, a Chinese representative to the Sino-British Land Commission, as its chief executive from September 1.

Chung has been in charge of the routine work of the Land Fund Trust since its establishment in 1986, said Sun Yanheng, senior Chinese representative to the Sino-British Land Commission.

Sun also said that Ng Leung Sing, a senior researcher of the Economic Department of XINHUA News Agency Hong Kong branch, has been appointed to succeed Chung Shui Ming as a Chinese representative to the Sino-British Land Commission.

He said that Ng has also been appointed a member of the Investment Committee of the Hong Kong Special Administrative Region Government Land Fund Trust.

Reshuffle Promotes Younger Civil Servants
HK3108082588 Hong Kong SOUTH CHINA MORNING
POST in English 31 Aug 88 pp 1, 2

[By Ann Quon]

[Text] Seven local civil servants were yesterday appointed to top level posts in a major reshuffle aimed at putting younger policy makers in charge well before 1997.

The latest reshuffle has boosted the number of locals holding secretarial posts from four to eight and dropped the average age of secretaries by three years from 53 to 50.

In a surprise move, Deputy Chief Secretary John Chan Cho-chak, 45, will succeed Mr Hamish Macleod, 48, as Secretary for Trade and Industry.

Mr Chan is a rising star in government and for the past year has been in charge of political and constitutional affairs.

His move back into trade and finance has fuelled speculation that he is being groomed as a future Financial Secretary.

Mr Chan's responsibilities of overseeing Hong Kong's political reforms will be taken over by Regional Secretary (New Territories), Mr Michael Suen Ming-yeung, 44.

The Government localisation plan where expatriate officers must retire at the age of 57 has paved the way for two other locals to be given secretary postings.

Regional Secretary (Hong Kong and Kowloon) Brian Chau Tak-hay, 45, will succeed Mr John Chambers, 56, in October as Secretary for Health and Welfare and Mr Yeung Kai-yin, 47, will succeed Mr Ron Bridge, 56, as Secretary for Education and Manpower.

Although Mr Chambers is not due to retire until December, he will leave his post two months ahead of schedule to take over as secretary general of the newly created provisional Hospital Authority, as reported in the SOUTH CHINA MORNING POST yesterday.

In other moves, Mr Macleod will replace Mr John Yaxley, 51, as deputy financial secretary next March.

Mr Yaxley, who has encouraged more privatisation of Government, will be posted to London in the middle of next year as Hong Kong commissioner following the retirement of Mr Selwyn Alleyne, 57, after 33 years in the Government.

Mr Chau will be replaced as Regional Secretary (Hong Kong and Kowloon) by Deputy Director of Education David Lan Hong-tung, 48, while Commissioner of Transport, Mr James So Yiu-cho, 48, will become the next Director of Urban Services when Mr Alex Purves, 56, retires next May.

Mr Adolf Hsu Hsung, 50, Deputy Secretary for Health and Welfare will succeed Mr Michael Suen as Regional Secretary (New Territories) next March.

By putting younger civil servants who are in their 40's into top government posts, the government appears to have accelerated its localisation plans.

Secretary for the Civil Service Harnam Grewal denied that older civil servants were being overlooked for the top policy jobs because the government was trying to groom "young blood" who would gain top administrative experience well before the 1997 handover.

"Promotions are based first and foremost on merit rather than seniority," said Mr Grewal.

The ease with which the government has been able to fill four of the 14 secretary level postings with locals in this latest reshuffle has been helped by the retirement of several senior civil servants.

Notably absent from the reshuffle was outspoken Secretary for Administrative Services and Information, Mr Peter Tsao Kwong-yung, 54.

He has been tipped to succeed Mr Donald Liao Poon-huai, 59, who retires in October next year as Secretary for City and New Territories Administration.

However, the omission of Mr Tsao from the list suggests that the administration does not want to pre-empt the governor's October policy speech.

Sir David Wilson is expected to announce a major revamp of several policy branches which will include the abolition of Mr Tsao's branch.

It is expected to be renamed the Recreation, Culture and Broadcasting Branch.

Should Mr Tsao succeed Mr Liao, it is unlikely he will inherit his seat as a British member of the Joint Liaison Group [JLG].

Mr Tsao, who will become the most senior local officer when Mr Liao retires, was at the centre of a controversy a few years ago when his application for a visa to China as part of an official delegation was turned down.

Insiders say he is unlikely to be acceptable to China to represent Britain on the JLG.

Although Mr John Chan was tipped to take over the JLG seat, his removal from the post of deputy chief secretary appears to put his successor, Mr Suen, in the running.

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1 Sept. 1988

